



ANNUAL REPORT 2012

QTC Energy Public Company Limited



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QTC ENERGY PCL.

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QUALITY OF DETAILS >>

D - DYNAMICS E - ENVIRONMENT

T - TEAMWORK A - ACHIEVEMENT

I - INNOVATION L - LEADERSHIP S - SERVICE





Message from the Chairman of the Board

On behalf of the company's directors, I would like to state in the "Message from the Chairman" in Annual Report 2011 that the national economic recovery and growth following the 2011 floods will increase the domestic demand for electrical power and transformers in 2012 at higher rates than in previous years. In addition, the board of directors approves of the company's service expansion as well as maintenance and repairs with widespread transformer rentals. Apart from generating increased revenue, this work is another important part of the company's total revenue. Quality services and rapid response to customer needs will help build greater reliability and confidence for the brand name of the company's main products while forming an international market network which is a matter in which we need to place importance, especially in order to handle the launching of the AEC in another two years.

Concerning the opportunities in the aforementioned market, I would like to inform our shareholders about that matter that the company's board of directors has set business goals for the company in 2012 requiring that we achieve a growth rate of no less than 15%. Nevertheless, with the ability of our management team under the leadership of our chief executive officer, the company's business in 2012 grew at a rate as high as 35% from the previous year, which is growth that surpassed our expectations and resulted in dividends per share that were higher than every past year.

The aforementioned high production rates not only had the effect of requiring both company executives and employees to dedicate labor and great tenacity. One of the significant impacts of high increases was that machinery required for production because using existing machinery heavily used for many years might have increased potential risks if production was dramatically increased.

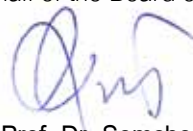
In 2013, therefore, the company will have to consider reserve measures and invest in purchasing more machinery to reduce the aforementioned risks and increase the company's production capacity with long-term security. Hence, the board of directors has set the growth rates for 2013 performance at lower rates while growing at more than 1,000 million baht. Most importantly, the board of directors set a profit goal for 120 million baht.

In terms of long-term goals, shareholders may have already learned from various media that the company is constructing factories to produce transformer bodies to increase confidence in quality and effectively respond to the transformer needs of domestic and international customers. In addition to its primary transformer business, the company is studying the feasibility of participation in producing 10 MW of electricity from biogas generated by wastewater from pineapple canning factories and has invested in the construction of transformer factories in neighboring countries. Therefore, with secure transformer production chains and the aforementioned business expansions, the company may have performance of 1,200-1,500 million baht over the next three to five years.

Regardless, the company has grown stably and sustainably. The company's board of directors and executive committee hold the same opinion that human resources are a key factor in achieving sustainable success. The company needs to search for and develop a new generation of executives with capacity in the fields of engineering, production, marketing and management, which requires the accumulation of knowledge and experience from the company's current leadership. Thus, we will be able to handle the business challenges and constantly changing technology, too. In other words, factors in every aspect driving the company's business must have "quality" in line with the motto the company's executives have always upheld from the start of the business.

On this occasion and on behalf of the board of directors, I would like to express our pleasure to each of our shareholders who have received satisfactory returns on their investments and I would also like to express my gratitude to the company's Audit Committee and the Executive Committee who have helped oversee the company's business growth with transparency as a key condition to building confidence among shareholders and customers with continued sustainable growth for the company as well.

On Behalf of the Board of Directors,



(Assoc. Prof. Dr. Somchob Chaiyavej)
Chairman of the Board



Message from the CEO and Managing Director

In 2012, the situation in the electrical power industrial sector improved alongside the economy, which was mainly driven by domestic demands due to the investment expansion made by the public and private sectors.

With vision and the setting of policies and strategies in response to domestic and global economic situations, the company's revenue for 2012 was 969.70 million baht. The 2012 net profit equaled 118.88 million baht for increases of 35% and 41% from previous years. The revenue increases from private and international work were 46.62% and 108.36%, respectively.

In 2013, Thai economy continued with its upward growth trend of 5.2% with demands from public and international sectors as the driving mechanisms expected to continue with good expansion. Domestic and foreign power consumption increases and the current situation where Thailand is confronted with electrical power issues are factors requiring urgent solutions so power can be produced to meet increasing power demands. The rapid expansion has resulted in demand increases for transformers. Thus, the transformer industry can continue to grow alongside annual power consumption increases.

The Executive Committee realizes the significance of electrical power, having thus expanded the business into power production from bio-gas, which has been a research topic for some time and it will be officially launched within this year. We also have a project for expanding the transformer market into Laos for better coverage and support of growth for another two years. The company has adjusted and made changes in its strategies with readiness to enter the AEC market in 2015. At present, the company exports products to countries around the world and the feedback on these products has been good in that product quality meets standards with competitive capacity in the world arena. With the executives' firm commitment to conducting business in compliance with moral ethics focused on corporate development and quality products combined with active participation in constant provision of social aid and development for sustainable development and growth standing beside Thai society, our social aid projects and CSR activities were held throughout 2012.

On this occasion and on behalf of the Executive Committee, I would like to thank all of our customers, trade partners, business allies and all parties involved for entrusting us with the company's business performance. The company is determined to improve to meet performance expectations.

On behalf of the Executive Committee,



(Mr. Poonhiphat Tantanasin)

Chief Executive Officer and Managing Director

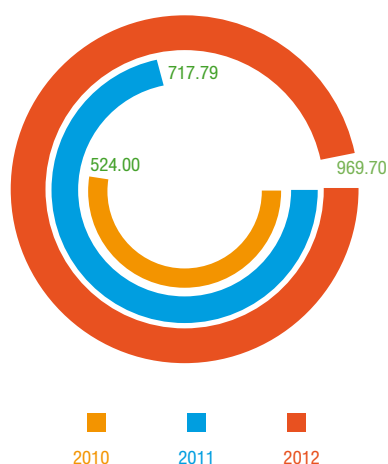
Financial Highlight

(Unit : Million Baht)

Financial	2010	2011	2012
Income from sales & services	520.77	714.46	959.51
Total Income	524.02	717.79	969.70
Gross Profit	142.16	208.29	264.25
Income before financial cost & income tax	68.70	124.56	163.17
Net Income	43.77	84.06	118.88
Net Income per share (Baht per share)	0.29	0.49	0.59
Dividend per share	29.18 (1,500,000)	0.19 (200,000,000)	0.31 (200,000,000)
Total Assets	357.42	570.44	786.97
Total Liabilities	134.65	190.41	326.06
Total Shareholders' Equity	222.77	380.03	460.92

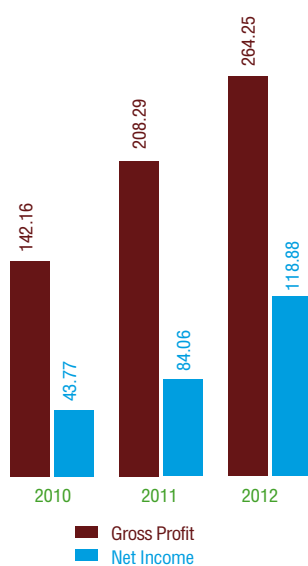
Total Income

(Unit : Million Baht)



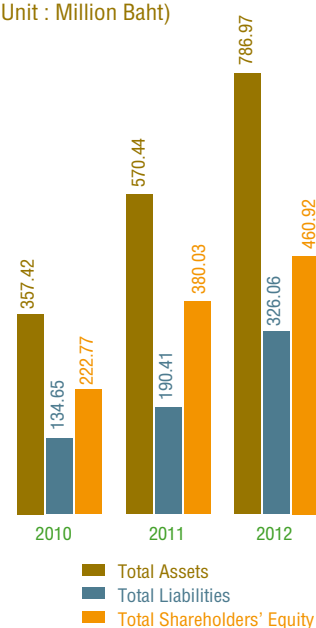
Gross Profit / Net Income

(Unit : Million Baht)



Total Assets, Total Liabilities Total Shareholders' Equity

(Unit : Million Baht)



Performance and Financial Status

1 Financial Statement

1.1 Summary of Auditing Reports

- (a) Financial Statement 2010 was audited by Mrs. Sumalee Chokdee-anan, Auditor's License No. 3322, of Grant Thornton Co., Ltd.

The auditor audited the company's financial statements and rendered the opinion that the financial statement displayed the company's financial status as of 31 December 2010 and the company's performance for the year ending on the same date to be accurate in terms of relevant contents in compliance with generally accepted accounting principles.

- (b) Financial Statement 2011 was audited by Mr. Somkit Tiatrakul, Auditor's License No. 2785, of Grant Thornton Co., Ltd.

The auditor examined the company's financial statement and rendered the opinion that the financial statement displayed financial status as of 31 December 2011 and the company's performance for the year ending on the same date to be accurate in terms of significant contents in compliance with generally accepted accounting principles.

- (c) Financial Statement 2012 was audited by Mr. Somkit Tiatrakul, Auditor's License No. 2785, of Grant Thornton Co., Ltd.

The auditor audited the company's financial statement and rendered the opinion that the financial statement accurately displayed financial status on 31 December 2012 and the company's performance for the year ending on the same day in terms of significant contents in compliance with Thai standards for financial reports.

1.2 Table Summarizing Financial Status and Performance

Balance Sheet

	2010		2011		2012	
	THB Million	%	THB Million	%	THB Million	%
Assets						
Current Assets						
Cash and Cash Equivalent Transactions	47.23	13.22	46.89	8.22	43.54	5.53
Temporary Investments			52.10	9.13	35.29	4.48
Trade Debtors						
- Ordinary Debtors - Net	53.05	14.84	115.27	20.21	258.01	32.78
- Related Companies	2.49	0.70	1.90	0.33	0.25	0.03
Inventory – Net	85.87	24.03	147.82	25.91	176.24	22.4
Value Added Tax Pending Refund	-	-	-	-	3.42	0.43
Directors' Loans	-	-	-	-	-	-
Other Current Assets	4.54	1.27	3.46	0.61	7.94	1.01
Total Current Assets	193.18	54.05	367.44	64.41	524.69	66.67

	2010		2011		2012	
	THB Million	%	THB Million	%	THB Million	%
<i>Non-Current Assets</i>						
Limited Bank Deposits	-	-	0.54	0.09	-	-
Other Investments	0.05	0.01	0.05	0.01	0.05	0.01
Land, Buildings & Equipment - Net	157.73	44.13	197.51	34.62	259.37	32.96
Computer Programs	6.29	1.76	4.73	0.83	2.86	0.36
Intangible Assets - Net	-	-	-	-	-	-
Deposits	0.17	0.05	0.17	0.05	-	-
<i>Total Non-Current Assets</i>	164.24	45.95	203.00	35.59	262.28	33.33
Total Assets	357.42	100.00	570.44	100.00	786.97	100.00
Liabilities & Shareholder Equity						
<i>Current Liabilities</i>						
Overdraft Withdrawals & Short-Term Loans	57.28	16.03	64.46	11.30	137.24	17.44
from Financial Institutions.	27.18	7.60	60.96	10.69	77.44	9.84
Trade Creditors	3.44	0.96	9.90	1.74	14.07	1.79
Long-Term Loans with Payment Due	1.96	0.55	1.74	0.31	3.08	0.39
within 1 Year.	10.37	2.90	19.53	3.42	30.56	3.88
Rent-to-Buy Contracts Creditors Due	17.22	5.52	18.13	3.18	16.43	2.09
within 1 Year.	1.96	0.55	5.64	0.99	3.42	0.43
Outstanding Income Tax	10.64	2.27	6.50	1.14	8.87	1.13
Outstanding Expenses						
Product Deposit Receivables						
Other Current Liabilities						
<i>Total Current Liabilities</i>	130.05	36.39	186.86	32.76	291.11	36.99
<i>Non-Current Liabilities</i>						
Long-Term Loans - Net	2.42	0.68	0.26	0.05	26.70	3.39
Rent-to-Buy Contract Creditors	2.18	0.61	1.34	0.24	6.11	0.78
Liabilities for Employee Benefit Obligations	-	-	1.95	0.34	2.13	0.27
<i>Total Non-Current Liabilities</i>	4.60	1.29	3.55	0.62	34.94	4.44
Total Liabilities	134.65	37.67	190.41	33.38	326.05	41.43

Balance Sheet (Cont'd)

	2010		2011		2012	
	THB Million	%	THB Million	%	THB Million	%
Shareholder Equity						
Capital Stock						
Authorized Share Capital	150.00	41.97	200.00	35.06	200.00	25.41
Issued and Paid up Share Capital	150.00	41.97	200.00	35.06	200.00	25.41
Premium on Common Stocks			45.94	8.05	45.94	5.84
Accumulated Profit						
Allocated – Reserved in Compliance with the Law	9.84	2.75	20.00	3.51	20.00	2.54
Not Allocated	62.93	17.61	114.09	20.00	194.98	24.78
Total Shareholder Equity	222.77	62.33	380.03	66.62	460.92	58.57
Total Liabilities and Shareholder Equity	357.42	100.00	570.44	100.00	786.97	100.00

Profit-Loss Statement

	2010		2011		2012	
	THB Million	%	THB Million	%	THB Million	%
Revenue						
Revenue from Sales	512.20	97.74	700.86	97.64	940.35	96.97
Revenue from Services	8.57	1.64	13.60	1.90	19.15	1.98
Other Revenue	3.25	0.62	3.33	0.46	10.20	1.05
Total Revenue	524.02	100.00	717.79	100.00	969.70	100.00
Capital & Expenses						
Sales Capital	374.11	71.39	500.17	69.68	687.40	70.89
Service Capital	4.50	0.86	6.00	0.84	7.86	0.81
Sales & Service Expenses	76.71	14.64	87.06	12.13	111.28	11.48
Total Expenses	455.32	86.89	593.23	82.65	806.54	83.17
Profit (Loss) before Deduction of Interest and Income Tax	68.70	13.11	124.56	17.35	163.16	16.83
Income Tax	4.54	0.87	7.21	1.00	7.73	0.80
Interest Payable	20.40	3.89	33.29	4.64	36.55	3.77
Juristic Person Income Tax						
Profit (Loss) - Net	43.77	8.35	84.06	11.71	118.88	12.26
Net Profit (Loss) Per Share (Fully Diluted) (THB)	29.18		0.41		0.59	
Net Profit (Loss) Per Share (Weighted Average) (THB)	29.18		0.49		0.59	
Par Value (THB)	100.00		1.00		1.00	



Cash Flow Statement

(Unit: THB Million)	2010	2011	2012
Cash Flow from Operational Activities			
Net Profit before Income Taxes	64.17	117.36	155.44
Adjustment to Reconcile Net Profit to Cash Flow from Operating Activities			
Price Depreciation and Amortization Costs	21.08	24.28	27.43
Allowance for Doubtful Debts	0.56	2.21	2.65
Allowance (Reverse Allowance Entry) Out-Dated Products	(0.04)	1.53	0.51
Losses from Asset Sales	0.02	(0.60)	(2.33)
Unrealized Loss (Profit) from Exchange Rates	(0.03)	0.34	(1.59)
Allowance for Employee Benefit Obligations	-	0.20	0.09
Interest Payable	4.54	7.21	7.73
Profit from Operations before Changes in Assets and Operating Liabilities	90.29	152.53	189.93
Operating Asset Turnover Decrease (Increase)			
Trade Partners	17.74	(63.58)	(143.74)
Inventory	23.85	(63.47)	(28.94)
Pending Value Added Tax Refund	-	-	(3.42)
Other Current Assets	4.21	2.08	(4.48)
Deposits	0.01	-	0.17
Operating Liabilities Increase (Decrease)			
Trade Creditors	(2.58)	33.70	16.48
Product Deposits Receivable	(0.37)	3.68	(2.22)
Other Current Liabilities	16.55	(3.31)	0.68
Cash from Operating Activities	149.71	61.63	24.46
Taxes Payable	(17.28)	(24.14)	(25.52)
Interest Payable	(4.54)	(7.12)	(7.64)
Net Cash (Spent) from Operating Activities	127.89	30.37	(8.70)
Cash Flow from Investment Activities			
Bank Deposits with Limitations – Decrease (Increase)	5.42	(0.54)	0.54
Temporary Investment Increase	-	(52.10)	16.81
Cash from Equipment Sales	0.28	0.66	2.34
Funds Paid to Purchase Other Fixed Assets	(47.16)	(61.42)	(78.39)
Net Cash Flow (Spent) from Investment Activities	(41.46)	(113.40)	(58.70)

(Unit: THB Million)	2010	2011	2012
Cash Flow from Financing Activities			
Bank overdrafts and Short-Term Loans from Financial Institutions – Increase (Decrease)	7.61	5.66	74.37
Director Loans – Increase (Decrease)	-	-	-
Long-Term Bank Loan Payments	5.86	4.30	30.61
Debt Payments under Rent-to-Buy Contracts	(2.41)	(2.22)	(2.94)
Cash Received from Capital Increase	-	95.94	-
Cash Dividend Payments	(72.30)	(21.00)	(37.99)
Net Cash (Spent) from Financing Activities	(61.24)	82.68	64.05
Cash & Cash Equivalent Transactions – Increase (Decrease)	25.18	(0.35)	(3.35)
Cash & Cash Equivalent Transactions as of 1 January	22.05	47.23	46.89
Cash & Cash Equivalent Transactions as of 31 December	47.23	46.89	43.54

1.3 Table Summarizing Relevant Financial Ratios

Description	2010	2011	2012
<u>Liquidity Ratio</u>			
Liquidity Ratio (times)	1.49	1.97	1.80
Quick Liquidity Ratio (times)	0.79	1.16	1.19
Cash Flow Liquidity Ratio (times)	1.10	0.19	(0.04)
Trade Debtor Current Ratio (times)	7.08	7.56	4.99
Average Collection Period (days)	50.81	48.26	73.09
Inventory Turnover Ratio (times)	9.93	12.11	12.57
Average Sale Period (days)	36.27	30.13	29.04
Current Creditor Ratio (times)	13.30	11.49	9.50
Debt Payment Period (days)	27.07	31.34	38.43
Cash Cycle (days)	60.01	47.05	63.70
<u>Profitability Ratios</u>			
Gross Profit Margin (%)	27.30	29.15	27.54
Operating Profit Margin (%)	12.57	16.97	15.94
Other Profit Margins (%)	0.62	0.46	1.06
Cash-Profit Ratio (%)	195.38	25.05	(5.69)
Net Profit Margin (%)	8.35	11.71	12.39
Return on Equity Ratio (%)	18.46	27.89	28.27



Description	2010	2011	2012
Efficiency Ratios			
Return on Asset Ratio (%)	12.27	18.12	17.52
Return or Fixed Asset Ratio (%)	43.94	59.17	63.00
Asset Turnover Ratio (times)	1.47	1.55	1.41
Financial Policy Ratios (Leverage Ratios)			
Debt to Shareholder Equity Ratio (times)	0.60	0.50	0.71
Interest Coverage Ratio (times)	33.00	8.66	4.65
Debt Service Coverage (times)	1.01	0.34	(0.06)
Dividend Payout Ratio (%)	162.79	45.20	52.15

2 Explanation and Analysis of Financial Status and Performance

2.1 Overall Past Performance

The company operates in the business of manufacturing and distributing transformers, which is involved with and related to electricity generation and requirements, because transformers are devices used to adjust electricity voltage from the source to levels meeting the needs of users, such as industrial factories, residential homes and tall buildings, etc. Therefore, the company's growth trends are moving in the same direction as electricity demand. Furthermore, according to projections for electricity demand by the Electricity Generating Authority of Thailand (EGAT), the nation's maximum requirement for electricity in the next twenty years during 2010-2030 is expected to increase at an average rate of 3.91% per year. This increase in the demand for electricity has resulted in EGAT, which has duties and responsibilities involving electricity generation and transmission systems of Thailand, including the Metropolitan Electricity Authority (MEA) and the Provincial Electricity Authority (PEA) which are responsible for distributing electricity to users, has had to make modifications and expand electricity distribution systems in line with Thailand's plans for developing electricity production capacity, thereby resulting in an increased demand for transformers.

Following the economic crisis of 1997, the domestic economy has gradually expanded. The industrial sectors have expanded production capacity to support increasing domestic and international customer demands, which has caused the domestic demand for electricity to gradually escalate. For this reason, revenue from the company's sales and services have grown continually from 512.20 million baht in 2010 to 700.86 million baht in 2011 and 940.35 million baht in 2012 in line with the expansion of the economy and manufacturing industrial sectors. In the past, the prices of key raw materials whether in the form of silicon wire and copper foils used to insulate low voltage wires have had high degrees of fluctuation. However, the experience of the management team members who have been in the transformer industry for more than thirty-five years and the use of modern and efficient machinery and production technologies have enabled the company to profit throughout this period of time. Furthermore, the company has realized the importance of implementing the Enterprise Resources Planning or ERP system in managing all of the company's sections, whether in production, procurement, sales, accounting or finance and including warehouse management in a coordinated system capable of linking data quickly with real-time systems to enhance the company's overall performance with greater efficiency.

The fact that the company places importance on the quality of transformers produced by the company is evident in the fact that the company's transformer products have been certified for meeting the standards of various accreditation institutes, such as TISI 384-2543 from the Thai Industrial Standards Institute, Ministry of Industry, ISO 9001:2000 for designs, production and maintenance of distribution transformers, including the fact that the company has been certified for testing laboratory capacity in compliance with TISI 17025-2548 (ISO/IEC 17025:2005) standards. Moreover, the company is able to manufacture transformers with quality meeting international standards, which is proof of international quality and customer acceptance.

Revenue

The company had the total revenue of 524.02 million baht in 2010, 717.79 million baht in 2011 and 969.70 million baht in 2012. The details on revenue from sales and services, including other revenue can be summarized as follows:

Revenue from Sales

Customer Type	2010			2011			2012		
	THB Million	Ratio (%)	Growth Rate (%)	THB Million	Ratio (%)	Growth Rate (%)	THB Million	Ratio (%)	Growth Rate (%)
Government Agencies and Enterprises	231.56	45.21	40.18	327.48	46.73	41.42	330.59	35.16	0.95
Sales Representatives	98.28	19.19	(3.09)	118.00	16.84	20.08	207.94	22.12	76.22
Private Sector	182.37	35.61	(22.11)	255.38	36.44	40.03	401.82	42.73	57.35
Total Revenue from Sales	512.20	100.00	2.29	700.86	100.00	36.83	940.35	100.00	34.17

In 2010, the company earned revenue from sales at 512.20 million baht, which was an increase of 2.29% from 2009. Revenue from the sale of transformers to government agency and government enterprise customers had growth rates as high as 40.18% due to increasing demands for electricity in line with domestic economic recovery while revenue from the sale of transformers to private sector customers and sales representative customers dropped by 22.11% and 3.09%, respectively, as a result of political unrest during the first half of the year and mounting competition. Therefore, the company adjusted marketing plans and focused more on public relations advertisements, increasing transformer sales to the private sector during the second half of the year.

In 2011, the company earned revenue from sales at 700.86 million baht, which was an increase of 36.83% from 2010. Revenue from the sale of transformers to government agency and government enterprise customers increased from 231.56 million baht and 182.37 million baht, respectively, in 2010 to 327.48 million baht and 255.38 million baht, respectively, in 2011 for growth ratios of 41.42% and 40.03, respectively, as a result of investments to expand the electricity distribution systems of the electricity authorities in line with domestic economic recovery. Revenue from the sale of transformers to sales representative customers was 18.01 million baht, an increase of 20.08% from 2010.

In 2012, the company earned revenue from sales at 940.35 million baht, an increase of 34.17% from 2011. Revenue from the sale of transformers to domestic private sector customers and sales representatives increased from 255.38 million baht and 118.00 million baht, respectively, in 2011 to 401.82 million baht and 207.94 million baht, respectively, in 2012, for growth ratios of 57.35% and 76.22 due to domestic economic expansion and economic expansion in the Asian region with investments and expansions in the energy business group. Revenue from the sales of transformers to government agency and government enterprise customers was at 330.59 million baht, which was close to 2011.

Revenue from Services

Revenue from the company's services during 2010-2012 amounted to 8.57 million baht, 13.60 million baht and 19.16 million baht, respectively. Revenue from services can be divided into (1) revenue from transformer repairs, (2) revenue from providing transformer inspection and maintenance services and (3) revenue from transformer rentals. When revenue from services in 2012 was considered, the revenue was found to comprise revenue from transformer repairs at 14.14 million baht, which was a ratio of 73.82% of revenue from services, revenue from providing transformer inspections and maintenance services at 2.22 million baht for a ratio of 11.59% of revenue from services and revenue from transformer rentals at 0.68 million baht for a ratio of 3.57% of revenue from services.

Other Revenue

Other revenue of the company comprised revenue from selling scraps, profits from exchange rates and interest receivables, etc. In 2010-2012, the company earned other revenue at 3.25 million baht, 3.33 million baht and 10.20 million baht, respectively. In 2010, other revenue in the form of main transactions comprised doubtful debt returns at 1.36 million baht and revenue from selling scrap materials at 1.35 million baht. In 2011, the company earned other revenue amounting to 3.33 million baht. Other revenue in the form of main transactions comprised revenue from selling scrap materials at 1.35 million baht, revenue from the sales of fixed assets amounting to 0.60 million baht and doubtful debt returns amounting to 0.73 million baht. In 2012, the company earned other revenue amounting to 10.20 million baht. Other revenue in the form of main transactions comprised revenue from selling scrap materials amounting to 2.95 million baht, revenue from sales of fixed assets at 2.33 million baht, profits from exchange rates at 2.36 million baht and doubtful debt returns amounting to 1.11 million baht.

Costs and Expenses

The company's relevant expenses consisted of the costs of sales and services, sales expenses, administrative expenses and interest payables. In 2010-2012, the company incurred total expenses amounting to 459.85 million baht, 600.43 million baht and 814.26 million baht, respectively, as shown in the following details:

Sales and Services Costs and Gross Profit

Sales and service costs are considered as a key company expense. The company incurred sales and service costs amounting to 378.61 million baht in 2010, 506.17 million baht in 2011 and 695.26 million baht in 2012 for ratios of 82.33%, 84.30% and 85.39% of total expenses, respectively.

When costs of sales and services were compared to revenue from sales and services, the company earned the aforementioned ratios at 72.70%, 70.85% and 72.46% of revenue from sales and services, respectively, or at gross profit margins of 27.30%, 29.15% and 27.54%, respectively. The factors with impact on the company's gross profit margins are as follows:

1. The product sales ratio goes to a customer mix each year from the Company's previous customer mix which could be divided into the following three main types: (1) Government and Government Enterprise Customers; (2) Sales Representative Customers and (3) Private Sector Customers. Transformers are sold to all three types of customers at different gross profit rates whereby government and government enterprise customers had the highest gross profit rate because the sales involve large purchase orders each time which makes the cost per unit lower than manufacturing transformers for other types of customers. These are followed by international sales representatives. In 2011, which was a year when the company had a high gross profit as evident in the transformer sales rate to government and government enterprise customers that amounted to 46.73 percent of the revenue from total sales. In 2012, the company earned revenue from transformer sales to this customer group at only 35.16 percent. Furthermore, if considered in terms of revenue from transformer sales to sales representative customers, the ratio was 19.19 percent in 2010, 16.84 percent in 2011 and 22.12 percent in 2012.
2. Raw materials costs, particularly main raw materials comprising silicon steel (electrical steel), round enameled wire and copper foil which are raw materials with few manufacturers and where prices are adjusted by supply and demand in the global market, so there is a high degree of fluctuation. After the global economic crisis, the price of silicon steel has continually declined from 2010 to 2012 by approximately 43% while the prices of round enameled wire and copper foil have continually escalated until 2012 when the price of both of these raw materials escalate higher than prices in 2011 by approximately 10-13%.

Sales and Management Expenses

The company's sales and management expenses amount to 76.71 million baht in 2010, 87.06 million baht in 2012 and 111.28 million baht in 2012 for ratios of 14.64 percent, 12.13 percent and 11.48 percent of the total profit, respectively.

In 2011, the company incurred expenses in sales and services amounting to 87.06 million baht, an increase of 13.50 percent from 2010. The main expenses incurred in sales and services comprise expenses associated with executives and employees at a ratio of 29.65 percent; depreciation at a ratio of 10.35 percent and traveling expenses at a rate of 7.09 percent of the expenses incurred in sales and services. If the sales and services expense ratio is considered per total revenue, the ratio amounts to 12.13 percent, which is down from 14.64 percent in 2010. The reason stemmed from the increased total revenue which was higher than the increase ratio for expenses incurred in sales and services.

In 2012, the company incurred expenses in sales and management amounting to 111.28 million baht, which was an increase of 27.81 percent from 2011 because the company incurred increased expenses associated with executives and employees from 25.81 million baht in 2011 to 29.39 million baht due to the company's revenue restructuring, which increased the number of executives, and raises in monthly salaries. In addition, the company has continually invested in fixed assets, whether in terms of a new office building or investments in factory machinery and equipment to improve production efficiency. The result has been increased devaluation from 9.01 million baht in 2011 to 12.38 million baht in 2012. Consequently, relevant expenses incurred in sales and administration in 2012 comprise expenses associated with executives and employees amounting to 26.41 percent with devaluation amounting to a rate of 11.13 percent and traveling expenses amounting to 6.81 percent of the expenses incurred in sales and management.

Interest Payable Obligations

During 2010-2012, the company had an interest payable obligations of 4.54 million baht, 7.20 million baht and 2.72 million baht, respectively. Most of the company's interest payable obligations occurred as a result of using P/N and LC/TR funds, which were current loan limits involving both domestic and international purchases of raw materials. And the company's dramatically increased sales in 2011 and 2012 resulted in the company spending current loan limits from the bank in the purchase of raw materials for use in the manufacture of products for increased sales. Consequently, the company's interest payables increased. Moreover, in 2011 and 2012, the company had long-term loans with a commercial bank to be used for investment in the construction of a new office building and investments in additional machinery to increase production efficiency, thereby resulting in the company's interest payables from the aforementioned long-term loans in 2011 and 2012.

(a) Net Profit

According to the abovementioned performance during 2010-2012, the company earned net profits of 43.77 million baht, 84.06 million baht and 118.88 million baht, respectively, for net profit ratios of 8.35 percent, 11.71 percent and 12.26 percent, respectively.

If the net profit ratio is considered for the past year, it is evident that the company's net profit ratio has increased. If the company's revenue has increased, including the income ratio from product sales, namely, the group of customers with high gross profit margins at increasing ratios because the company's expenses incurred in sales and services amount to approximately 37-40 percent, which are expenses that do not fluctuate with income, such as expenses associated with executives and employees, devaluation, etc. In 2012, the company's revenue from sales increased at a rate of 34.17 percent from 2011, but the net profit ratio increased only slightly as a result of the higher ratios in sales to customers in the private sector group and the sales representative group.

Return on Equity

When the return on equity is considered, it becomes evident that the return on equity for 2010 and 2011 adjusted in the same direction as the increased net profit ratio whereby the company had a return on equity equal to 18.46 percent in 2010, 27.89 percent in 2011 and 25.79 percent in 2012. For 2012, the return on equity ratio reduced in comparison with 2011 because the company had higher shareholder equity according to the company's performance at 25.79 percent. Furthermore, in 2010-2012, the company had continual dividend payments to shareholders at dividend payout ratios of 162.78 percent, 45.20 percent and 52.15 percent, respectively.



2.2 Financial Status

(a) Assets

In the years ending 2010-2012, the company had total assets amounting to 357.42 million baht, 570.44 million baht and 786.97 million baht, respectively. The company's main assets comprise land, buildings and equipment, trade debtors and inventory. In 2012, the aforementioned relevant asset ratios amounted to 32.96 percent, 32.82 percent and 22.40 percent, respectively. The descriptions of the company's relevant assets are summarized as follows:

Trade Debtors

The company had trade debtors before deducting allowances for doubtful debts amounting to 64.54 million baht at the end of 2010, 120.00 million baht at the end of 2011 and 262.11 million baht at the end of 2012 for ratios of 18.06 percent, 21.04 percent and 33.31 percent of total assets, respectively. The reason for the higher trade debtor total before deduction of allowances for doubtful debts at the end of 2012 was the higher ratio at the end of 2011, which was quite high due to sales of approximately 33 percent occurring as a result of the months of November and December because the usual debt collection period is between 30-70 days. Therefore, the company is in the process of waiting to collect payment from the aforementioned customers and this has increased accumulated trade debtors.

The company has policy to grant customers a credit term of approximately thirty to sixty days. For new customers, however, the company may stipulate that customers pay in cash before product deliveries or products. Or in the case of international customers, the company may stipulated that customers transfer money into accounts or pay as L/C at Sight, depending upon the customer analysis by the Sales Department which gives primary consideration to customer repayment capacity. In the past, the company had a mean debt collection period of 50.81 days in 2010, 48.26 days in 2011 and 73.09 days for 2012.

Days Payable Outstanding	31 December 2010		31 December 2011		31 December 2012	
	THB Million	%	THB Million	%	THB Million	%
Not Due	36.19	56.07	91.48	76.24	160.73	61.33
Overdue						
No More than 3 Months	14.89	23.07	14.30	11.91	92.25	35.20
3-6 Months	0.29	0.45	4.11	3.43	1.80	0.69
6-12 Months	1.48	2.29	4.60	3.83	0.69	0.27
Over 12 Months	11.69	18.11	5.50	4.58	6.64	2.54
Trade Debtors before Debit Allowance for Doubtful Debts	64.54	100.00	119.99	100.00	262.11	100.00
Debit – Allowance for Doubtful Debts	(11.49)		(4.72)		(4.11)	
Trade Debtors - Net	53.05		115.27		258.00	

According to the aforementioned table, it is evident that debtors not due for payment to the company at the end of 2010-2012 had ratios of 56.07%, 76.24% and 61.33% of trade partners before deduction of allowance for doubtful debts, respectively, while the company's outstanding debtors had ratios of 43.93%, 23.76% and 38.67% of trade partners before deduction of allowance for doubtful debts, respectively. Most of the debtors were debtors with outstanding payments for no more than three months because the company was unable to collect pending bill placement and customer payments because most of the company's private customers comprise electrical systems contractors purchasing the company's transformers for installation at various projects. Therefore, the payment of product prices to the company was dependent on whether or not customers were able to collect from project owners, which may take a long time. Nevertheless, the company was able to collect all debts from the aforementioned debtors.

At the end of 2010-2012, the company had ratios for debtors who had not paid for over a year amounting to 18.11%, 4.58% and 2.53% of the figure for trade partners before deduction of allowance for doubtful debts, respectively. In 2012, the total for debtors who had not paid for more than one year increased from 2011 by 20.64%. Nevertheless, the company considered taking action toward follow-up on the aforementioned debts, including legal actions or negotiations for debtors who could still be contacted to gradually repay the company by considering in terms of the suitability and necessity of each debtor. The management gives importance and closely monitors the progress and operations of related departments in monthly meetings, thereby resulting in the company receiving repayment from debtors for whom allowance for doubtful debts had been set at 1.36 million baht in 2010, 0.20 million baht in 2011 and 1.18 million baht in 2012.

Concerning policies for setting allowances for doubtful debts, the company has considered setting allowances for doubtful debts from the amounts anticipated to be uncollectible from debt collection experience and the current status of each debtor. At the end of 2012, the company set allowances for doubtful debts amounting to 4.11 million baht, which was lower than the total trade partners who had not paid for more than one year by 2.53 million baht because some debtors who had not paid for more than twelve months made partial payments in January of 2012. Therefore, the company did not set allowances for doubtful debts for the aforementioned debtors.

Inventory

At the end of 2010-2012, the company had inventory before deducting product quality depreciation and allowances for product value amounting to 86.96 million baht, 150.44 million baht and 179.37 million baht, respectively. The largest component for inventory was raw materials at the ratios to total inventory of 54.90%, 48.03% and 55.86%, respectively, due to the following:

- Raw materials used in the production of transformers, such as silicon wire and cooper foil are products with few manufacturers, and the company had to reserve products from producers or suppliers in advance in order to have sufficient amounts of raw materials needed for production and minimize risks due to raw material price fluctuations.
- In general, multiple sizes of raw materials are required for the production of a set of transformers. The use of different amounts of each raw material size with raw material purchase orders have minimum orders resulting in a raw materials inventory.
- Because certain types of raw materials, such as copper foil and round enameled wire, etc., have characteristics of being rolls, there will be scraps of copper or wire leftover from the requisition of raw materials. The company has considered sales of the aforementioned scraps of raw materials as fitting and recorded the aforementioned scraps of copper or wire as remaining raw materials when the scraps have not been sold.

	31 December 2010		31 December 2011		31 December 2012	
	THB Million	%	THB Million	%	THB Million	%
Raw Materials	47.41	54.52	72.26	48.03	100.19	55.86
Ongoing Work	9.06	10.42	13.99	9.30	11.45	6.39
Finished Products	30.16	34.68	53.40	35.5	57.22	31.90
Products En-Route	-	-	10.79	7.17	10.51	5.86
Total Inventory	86.96	100.00	150.44	100.00	179.37	100.00
Debit – Reserve for Depreciation & Devaluation	(1.09)		(2.62)		(3.13)	
Inventory -Net	85.87		147.82		176.24	

When the ratios of finished product to inventory are considered at 34.68% at the end of 2010, 35.50%

at the end of 2011 and 31.90% at the end of 2012, changes have clearly moved in the same direction as product sale periods equal to 36.27 days, 30.13 days and 29.04 days, respectively. Finished products comprise (1) finished transformers pending delivery to customers because the company will deliver products to customers in most transformer sales at the places specified by the customers, so customers have to prepare facilities to accept transformer deliveries from the company which are sometimes rescheduled. Hence, the company needs to record the aforementioned transformers as finished products because the company may record as revenue in compliance with the company's accounting policies only when transformers have been delivered to customers and (2) transformers have been manufactured as reserves for sale. The fact that the company's total sales rose sharply in 2010 caused the company to give greater importance to the production of finished transformers as reserves for sale in 2011, which were standard transformers with regular purchase orders that helped the company plan production more efficiently and have more finished transformers in inventory.

In 2012, the company had inventory before debiting allowances for depreciation and allowances for product value at 179.37 million baht which was an increase from the end of 2011 by 19.23%. Total inventory before the aforementioned reserve debit comprised raw materials at 110.70 million baht, ongoing work at 11.45 million baht and finished products at 57.22 million baht, which were increases from the total at the end of 2011 by 53.20, 18.16 and 7.15%, respectively. The totals can be seen to have significantly increased as a result of the company having undelivered work valued at 160 million baht as of 31 December 2012. Consequently, the company had to order the purchase of raw materials in advance and produce transformers for delivery to customers as scheduled.

At the end of 2011 and 2012, the company set reserves for product devaluation at 1.71 million baht and 2.31 million baht, respectively, for all types of inventory. The Production Department considered in terms of the use of each inventory item. If any item was not usable, the company would consider selling the aforementioned inventory item as raw material scrap and reserves for product devaluation equal to the difference between costs and expected sales prices. Furthermore, the company reduced reserves for product devaluation by 0.40 million baht at the end of 2011 and 0.82 at the end of 2012 for finished products by considering the difference between the costs of finished transformers and expected net value from sales.

Land, Buildings and Equipment

The company had net land, buildings and equipment amounting to 157.73 million at the end of 2010, 197.51 million baht at the end of 2011 and 259.37 million baht at the end of 2012, which were ratios to total assets of 44.13%, 34.62% and 32.96%, respectively. In 2010, the company purchased land to construct a new office building at 13.45 million baht and invested in projects to manufacture power transformers, thereby necessitating additions to buildings to support the aforementioned production amounting 8.01 million baht and investment to purchase more machinery and equipment at 15.49 million baht such as coil winding machines, cranes, steel stacking bases, transformer furnaces, etc. In 2011, the company constructed new office buildings at 28.98 million baht (under construction) and invested 25.10 million baht in the purchase of additional machinery and equipment such as coil winding machines, metal cutting machines and current transformers, etc.

In 2012, the company had net land, buildings and equipment which were increased from 2011 by 61.86 million baht because the company a new constructed office building (completed in 2012) and factory buildings amounting to 30.03 million baht with an investment of 22.10 million baht in the purchase of additional machinery and equipment, such as metal slitting machines, metal cutting machines and coil winding machines, etc.

(b) Liquidity

Cash Flow

In 2010, the company had net cash flow from operating activities amounting to 127.89 million baht because the company had earned profits before tax deductions amounting to 64.17 million baht and received trade debtor repayments amounting to 17.74 million baht. Inventory dropped by 23.85 million baht while the company invested net cash flow amounting to 41.46 million baht in investment activities by investing 47.16 million baht to purchase assets and reducing limited bank deposits by 5.42 million baht. Relevant transactions comprised the purchase of land for a new constructing office building at 14.09 million baht and investment of approximately 23.50 million baht in projects to produce transformers, including the construction of additional buildings and the purchase of machinery and equipment. Furthermore, the company had net cash flow spent in procurement activities amounting to 61.24 million baht, of which 7.61 million baht comprised increased short term loans from financial institutions, 5.86 million baht were additional long term loans and the company paid 72.30 million baht as dividends to shareholders. For the aforementioned reasons, the company had a net increase of 25.18 million baht in cash and cash equivalent transactions in 2010.

In 2011, the company had net cash flow from operating activities amounting to 30.37 million baht because the company had profits before tax deductions amounting to 117.36 million baht and used the profits as current capital for increased inventory by 63.47 million baht and increased trade debtors by 63.58 million baht and the company had increased trade creditors at 33.70 million baht. The company invested net cash flow of 113.40 million baht in investment activities by temporarily investing 52.10 million baht in the Krung Thai Sa-Som-Sub Fund and invested 61.42 million baht in the purchase of purchase fixed assets. Significant assets in which the company invested comprised machinery and equipment amounting to 25.10 million baht and new office buildings amounting to 28.97 million baht. Furthermore, the company had net cash flow from procurement amounting to 82.68 million baht by receiving 95.94 million baht from the issuance of shares to increase capital while paying dividends to shareholders amounting to 21.00 million baht. For the aforementioned reasons, the company had a reduction of 0.35 million baht in cash and cash equivalent transactions in 2011.

In 2012, the company had net cash flow spent in operating activities amounting to 8.70 million baht. Although the company had profits before tax deductions amounting to 155.44 million baht, the company used the profits as current capital in increased trade debtors by 145.39 million baht, product increases by 28.94 million baht and the company's investment of 78.39 million baht in fixed assets. The main assets in which the company invested consisted of the new office building and factory buildings amounting to 30.03 million baht, machinery and equipment at 22.10 million baht and purchases of more utilities, office decorations and vehicles while the company had net cash flow from procurement amounting to 64.05 million baht. The company had more short term loans from financial institutions at 74.37 million baht, more long term loans at 46.27 million baht and paid dividends to shareholders at 37.99 million baht. For the aforementioned reasons, the company had a reduction of 3.35 million baht in cash and cash equivalent transactions in 2012.

(Unit: THB Million)	2010	2011	2012
Cash (Spent) from Operating Activities	127.89	30.37	(8.70)
Net Cash (Spent) from Investment Activities	(41.46)	(113.40)	(58.70)
Net Cash (Spent) from Financing Activities	(61.24)	82.68	64.05
Cash & Cash Equivalent Transactions – Increase (Decrease)	25.18	(0.35)	(3.35)

Liquidity Ratios

At the end of 2010-2012, the company had liquidity ratios of 1.49 times, 1.97 times and 1.80 times, respectively, with quick liquidity ratios of 0.79 times, 1.16 times and 1.19 times, respectively. The reason quick liquidity ratios were vastly different from liquidity ratios was due to the company's ratios of inventory to current assets at high rates of 44.45%, 40.23% and 33.59%, respectively.

When the company's cash cycle was considered, it becomes evident that the company's cash cycles were 60.01 days in 2010, 47.05 days in 2011 and 63.70 days in 2012. Since the fourth quarter of 2012, the company implemented the ERP system in managing sales and inventory, thereby resulting in enhanced management of inventory including raw materials, ongoing work and finished products. Hence, the average product sales time dropped to 29.04 days in 2012. The company's mean debt collection periods during 2010-2012 were 50.81 days, 48.26 days and 73.09 days, respectively. In 2012, the company's debt collection period increased because the company sold large quantities of products to projects which were delivered at the end of the year, thereby increasing the number of outstanding debtors. Debt payment periods were 27.07 days, 31.34 days and 38.43 days, respectively.

	2010	2011	2012
Liquidity Ratio (times)	1.49	1.97	1.80
Quick Liquidity Ratio (times)	0.79	1.16	1.19
Average Collection Period (days)	50.81	48.26	73.09
Average Sale Period (days)	36.27	30.13	29.04
Debt Payment Period (days)	27.07	31.34	38.43
Cash Cycle (days)	60.01	47.05	63.70

(c) Capital Sources

Liabilities

At the end of 2010-2012, the company had total liabilities amounting to 134.65 million baht, 190.41 million baht and 326.06 million baht, respectively. It is evident that total liabilities are on the rise due to increased sales which increased raw material purchase orders for producing goods. However, when the company's liability structure was considered, most liabilities were found to be current liabilities in the company's routine operating activities for total liabilities ratios of 96.58% at the end of 2010, 98.13% at the end of 2011 and 89.28% at the end of 2012. Significant current liabilities comprised short-term loans from financial institutions at 42.09% of total liabilities at the end of 2012, most of which comprised promissory notes and LC/TR used to order purchases of raw materials domestically and abroad. Furthermore, current liabilities also include trade accounts payable with the ratio of 23.75% of total liabilities at the end of 2012.

Shareholders' Equity

At the end of 2010, the company had shareholders' equity of 222.77 million baht and paid a total of 72.30 million baht in dividends while earning increased accumulated profits from performance in 2010 amounting to 43.77 million baht. And the company had shareholders' equity of 380.03 million baht at the end of 2011, an increase of 157.26 million from the end of 2010 because the company increased capital with the resolution of the annual meeting of 2011 on 18 March 2011 which approved the company to increase registered capital by 50 million baht, thereby resulting in the company having registered capital of 200 million baht and a premium on shares of 45.94 million baht at the end of 2011. Furthermore, the company paid 21 million baht in dividends and recorded estimates of liabilities for previous costs in line with obligations for employee benefits on 1 January 2011 at 1.74 million baht. The aforementioned recording was an impact from Thai Accounting Standards 19 on Employee Benefits enforced since 1 January 2011 while the company had increased accumulated profits by 84.06 million baht from performance in 2011.

At the end of 2012, the company had shareholders' equity of 460.92 million baht, an increase from the end of 2011 by 80.89 million baht, which was an increase in profits from performance amounting to 118.88 million baht while the company paid dividends to shareholders at 37.99 million baht.

Suitability of Capital Structure

The company had a ratio of liability to shareholders' equity of 0.60 times at the end of 2010, 0.50 times at the end of 2011 and 0.71 times at the end of 2012. The main cause for decreased ratios of liabilities to capital of the company in 2011 was because the company had increased shareholders' equity from increase of capital and net profits as explained under the topic of liabilities and shareholders' equity.

At the end of 2012, the company had a liability to shareholders' equity ratio of 0.71 times, which was an increase from 0.50 times at the end of 2011 as a result of the issuance of purchase orders for large quantities of raw materials by the company during the last quarter in amounts adequate for production during the fourth quarter of 2012 and the first quarter of 2013, thereby resulting in increased short-term loans used in operations to 214.68 million baht in 2012 from 125.42 million baht in 2011. In addition, the company had increased long term loans to 26.69 million baht in 2012 from 0.26 million baht in 2011 due to investments in the new office building, factory buildings and machinery to enhance production efficiency.

2.3 Main Factors and Influences with Potential Impacts on Future Performance and Financial Status

impacts from uncertainty of bidding results because government and government enterprise customers generating and distributing electricity, such as the Metropolitan Electricity Authority and the Provincial Electricity Authority, use the process of purchasing transformers by bidding, thereby increasing uncertainty in terms of revenue from the company's sales because revenue from the company's sales is dependent on bidding capabilities. Furthermore, revenue from sales is also dependent on economic conditions and the budgets of each agency, which will have impacts on the period of time when the aforementioned agencies will open biddings. In the past, the company earned revenue from transformer sales to this group of customers at approximately 32-45% of total income from sales, which was a high ratio. Nevertheless, the company and the company's executives have been operating in the business for a long period of time, resulting in the company having good relationships with the MEA and the PEA over a long period of time with confidence in transformer quality. In addition, the company is one of the manufacturers capable of producing high quality transformers meeting the needs of both agencies. Hence, the executives believe the company has sufficient capacity to sell transformers to both the MEA and the PEA on a continue basis in the long run.

3 Auditor Remuneration

In the fiscal year ending 31 December 2012, the company paid audit fees to the company's auditor, Grant Thornton Co., Ltd., in the amount of 730,000 baht. Other than the aforementioned fees, the company has no other fees to pay to the auditor, auditing offices where auditors are originally affiliated and persons or business related to the auditor or auditing offices where auditors are originally affiliated.

About QTC

QTC Energy Public Co., Ltd. was founded on 19 July 1996 by a group of professional engineers who had over thirty-five years' experience in this industry. Our mission is to be an electricity distribution transformer manufacturer who produces high quality goods with ability to be confident in their efficiency and maximum value for QTC customers. We are firmly committed to continual research and development in order to guarantee that our products will be modern products and fully efficient. Hence, QTC electricity distribution transformers have passed testing for resistance against electrical shorts by CESI in Italy and KEMA in the Netherlands, so QTC electricity distribution transformers are high in quality.



QTC is a Thai leader in the manufacture of electricity distribution transformers. The technology for machinery and equipment is modern, and so is the technology used in the manufacturing process which makes the electricity distribution transformers manufactured by QTC superior in terms of quality, reliability and modern technology. QTC has received a number of International Standard Organization accreditations, i.e. ISO 9001, ISO 14001, and OHSAS18001 which are affirmations of the excellent quality of QTC factories capable of manufacturing electricity distribution transformers sized 1-30,000 kVA from the lowest to the highest electrical systems at 72 kV in both 1-phase and 3-phase designs fully equipped according to the power of the machinery at approximately 1000 MVA per year, or 3,000 units per year manufactured in both wound core and stacking core designs. Furthermore, we can manufacture every design to meet every standard across the globe. As for dry electricity distribution transformers cast in resin, the company can manufacture from this factory under the name of QTC by receiving technological support from leading companies in Europe. QTC has distributed goods under the name QTC both domestically and abroad in Europe, Australia, Asia, the Middle East, North America, South Africa and the ASEAN region.



Quality of DETAILS

Attention to DETAILS is at the heart of our principles, and it encompasses every area of QTC and covers everything from staff, to way of thinking, way of working, technological advancement, factory operation, products, as well as, consideration for the society and environment.



VISION

QTC is a world-class manufacturer providing world-class quality in Electric Transformation Equipment and Services.



MANAGEMENT PRINCIPLES :

- The Board of Directors ("The Board"), management and staff have commitment to our three good corporate governance principles namely Ethics, Moral, and Transparency
- We provide the products and services at the international quality standard
- We shall be a good social responsibility organization by protecting the environment in compliance with international requirements, and shall strictly abide by Human Rights Principles.



MISSION

To meet our customers' performance challenges of their electrical system with products and services of international standard.

Board of Directors



1. **Assoc. Prof. Dr. Somchob Chaiyavej**
Chairman of the Board

5. **Mr. Nakorn Phrprasert**
Director

2. **Mr. Padetpai Meekun-iam**
Director

6. **Mr. Poonphiphat Tantanasin**
Director

3. **Mr. Pholrach Piathanom**
Director

7. **Mr. Siripong Boontam**
Director

4. **Mr. Nattharphon Lilawatthanun**
Director

1. Assoc. Prof. Dr. Somchob Chaiyavej

Chairman of the Board

Age 77 Years

Education

- Ph D, Mechanical Engineering, Purdue University
- Course: Director Accreditation Program (DAP), Class of 62/2007

Other Positions

- Expert Director, Rajamangala University of Technology Thanyaburi
- Chairman of the Board, PATKOL Public Co., Ltd.
- Council President, North Bangkok College
- Expert Director, Thai-German Institute

2. Mr. Padetpai Meekun-iam

Director

Age 68 Years

Education

- M.S. (Mechanical Engineering), Georgia Institute of Technology, U.S.A.
- Course: Director Certification Program (DCP), Class of 22/2002
- Course : Audit Committee Program (ACP) ,Class of 42/2013

Other Positions

- Director, Tate Vehicle Co., Ltd.
- Director, Thai Agro Energy Public Co., Ltd.
- Director, MBK Resort Public Co., Ltd.

3. Mr. Pholrach Piathanom

Director

Age 60 Years

Education

- Master's Degree, Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Master's Degree, Business Administration, National Institute of Development Administration
- Course: Director Certification Program (DCP), Class of 118/2009
- Course: Director Accreditation Program (DAP), Class of 62/2007
- Course: Audit Committee Program (ACP), Class of 31/2010

Other Positions

- Director, Sang Kon Keng Co., Ltd.
- M-DIC Intertrade Co., Ltd.
- Director, M-DIC Holding Co., Ltd.

4. Mr. Nattharphon Lilawatthananon

Director

Age 55 Years

Education

- MBA, Chulalongkorn University
- Course: Director Accreditation Program (DAP), Class of 10/2004
- Course: Audit Committee Program (ACP), Class of 3/2004

Other Positions

- Director, Unimit Engineering Public Co., Ltd.
- Director, Unique Mining Services Public Company Limited
- Director & Managing Director, Excellent Business Management Co., Ltd.
- Director & Managing Director, NBS Research and Consulting Co., Ltd.

5. Mr. Nakorn Phraprasert

Director

Age 61 Years

Education

- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Course: Director Accreditation Program (DAP), Class BJC/2004

Other Positions

- -None-

6. Mr. Poonphiphat Tantanasin

Director

Age 60 Years

Education

- B.S. (Electrical Engineering) King Mongkut's Institute of Technology North Bangkok
- Course: Director Certification Program (DCP), Class of 117/2009
- Course: Director Accreditation Program (DAP), Class of 77/2009
- Course: Finance Statements for Directors (FSD), Class of 4/2009

Other Positions

- Director, M-DIC Holding Co., Ltd.
- Director, Jarin Apartment Limited Partnership

7. Mr. Siripong Boontam

Director

Age 52 Years

Education

- B.S. (Electrical Engineering), King Mongkut's Institute of Technology North Bangkok
- Course: Director Accreditation Program (DAP), Class of 78/2009

Other Positions

- -None-

Management Team



1. Mr. Poonphiphat Tantanasin
Chief Executive Officer

2. Mr. Siripong Boontam
Deputy Managing Director

3. Mr. Panu Sinives
Manager, Supply Chain and Logistic

4. Miss Boonpa Ruddist
Manager, General Management Department

5. Miss Chotika Chumpoon
Manager, Finance & Accounting Department

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an administrative principle QTC Energy Public Company Limited has always emphasized because the company is aware that the management team's broad vision and the cooperation of the operations team are essential to sustainable growth in combination with good supervision with good corporate ethics, including responsibility to the community, the society and the environment.

Therefore, the company has set CSR policy and good governance principles as a framework to be upheld by directors, executives and all personnel with confidence and understanding in working to the best of their ability in the interests of the company on the basis of transparent honesty with traceability and adherence to justice and equal treatment of all stakeholders.

Corporate Social Responsibility (CSR) Policy

1. Conduct business with honesty and fairness; corporate administration with ethics and transparency in compliance with internationally accepted principles.
2. Pay respect and give humanitarian importance to personnel of all levels.
3. Remain aware of the importance of labor and promote labor development leading to efficient corporate drive.
4. Determine and express environmental responsibility toward development and reduction in environmental issues as a result of overall activities carried out by the corporation and society.
5. Strictly comply with the law and trade regulations, including related internal rules, regulations, requirements, directives or notifications, to prevent illegitimate seeking of interests and exercise of power and eliminate conflicts of interest.
6. Publish data on products with accuracy and clarity, and recognize the value of consumer's rights strict compliance with the law and criteria on consumer protection.
7. Continually support and participate in activities for public benefits and promote personnel in adopting good public conscience and performing good deeds for society.

Corporate Social Responsibility (CSR) Strategies

QTC's CSR begins inside the corporation. We believe the absence of conscientiousness and public mindedness on the part of corporate staff results in social and environmental problems preventing us from extending our hands to help communities or society. It all begins with treating personnel and stakeholders fairly and equally with emphasis on safety operations and environmental management to prevent impacts on corporate staff and surrounding communities with dedication to human resources development to create fine, capable people by emphasis on participation and nurturing of public mindedness in our staff. The company's CSR strategies are as follows:

1. Carry out CSR projects in cooperation with institutions or agencies at the center of the community or society, such as schools, temples, medical facilities, universities and non-profit organizations.
2. Donate one "electrical transformer", a company product, per year to a school or temple in need.
3. Build public mindedness in staff and allow the staff to participate in presenting projects with social benefits under the slogan "QTC Does Good for the Father of Our Country".
4. Integrate CSR as part of work operations.



Environmental Responsibility

Numerous countries, including Thailand, are facing problems with severe and continual climate changes. Each country has exerted effort toward minimizing the impact of greenhouse gases and energy consumption to reduce the condition of global warming.

QTC is aware of industrial operators who play integral roles in environmental impacts from products and manufacturing processes. Hence, QTC has adopted ISO 14001 and applied these standards for system accreditation. In addition, QTC has also initiated product research and development projects for energy conservation to minimize environmental impact and promote cost-effective energy use. The details are as follows:

New Product Research and Development Projects

In line with our promise to focus on developing world class quality transformers together with social and environmental responsibility, our engineering team has developed efficient transformers using an amorphous core to greatly reduce domestic energy loss, conserve energy and use energy cost-effectively in line with the Number 5 Energy Saving Sticker. The design process has been completed and a prototype can be built in early 2013.



Activities Promoting Environmental Participation



Third Annual Tree Planting Together to Minimize Global Warming

Our project, "QTC Does Good for the Father of Our Country", "Third Annual Tree Planting Together to Minimize Global Warming" is an activity QTC has been performing for three consecutive years with the cooperation of Rayong Natural Resource and Environment Office. In 2012, 500 Alexandrian laurel trees were planted on five rai of land north of the Klong Yai Reservoir in Raharn, Pluakdang, Rayong on 16 June 2012. The project received great cooperation from employees, volunteers, villagers, teachers, students and community leaders. More importantly, the project was a huge success.



Returning Balance to Nature Together in Mangrove Forests

The activity, “Returning Balance to Nature Together in Mangrove Forests” was carried out on 21 July 2012 in the mangrove forests at Klongkhon, Muang, Samutsongkram as an activity aimed at building CSR awareness among employees. The project was held in conjunction with an annual holiday, changing from conventional holiday trips partying to conservative style, and returning natural balance to mangrove forests by allowing local people to earn income from tourism. Major customers and mass media were also invited to participate in the activity. The project was a success and the company’s employees were very satisfied with the goings on.



Social Responsibility

With awareness as a member of society, QTC gives importance to business operations with care given to stakeholders inside and outside the company, the community and society at the national level.

Recognizing personnel as the company’s valuable resources, the company supports employees in obtaining knowledge and capability with good physical and mental health, moral ethics and occupational safety. QTC has adopted standards for the management of occupational safety, hygiene and environment (OHSAS 18001) with adoption of the “Happy Workplace” guidelines to suit QTC’s corporate culture focused on employee participation, good social and environmental attitudes in conducting business with the building of volunteer willingness for linking business goals with social and environmental responsibility.



Activity Promoting Social Participation

Our activity, “QTC Does Good for the Father of Our Country, Kiddie Cars 2012”, is an activity QTC has been holding annually in cooperation with the Mapyangporn Tambon Administrative Organization to hold National Children’s Day activities for children and adolescents in local areas. Each year, QTC volunteers set up booths to give away presents and play games. On 14 January 2012, an activity was held at Ban Mabtoey School, Mapyangporn, Pluakdang, Rayong, and attracted the interest of many children.

The 2011 flood crisis resulted in great impact on the lives of people in various areas nationwide. Great damages occurred and it has been difficult for the government to restore complete ability. In its firm commitment to CSR, QTC has surveyed the areas affected by the flood where aid has failed to bring complete restoration, giving particular focus to residential areas of employees, one school and one temple, namely Wat Mujlin School, Mujlin, Tha Wung, Lopburi with the activity, QTC Does Good for the Father of Our Country, Joining Volunteer Power with Rehabilitation for Flood Victims”.



The company provided support in the form of restroom repairs, student uniforms, marching band uniforms and Dharma learning facilities and organized a merit making ceremony for presenting robes to monks on 7 March 2012 to collect donations for the repair of Wat Mujlin with scholarships granted to students at Wat Mujlin School. The activity received cooperation from executives, employees, trade partners and numerous local communities.



Senior Citizen's Day is another activity to which QTC has given continue importance. On 14 April 2012, the company sponsored an event and gave souvenirs to local senior adults and in a traditional ceremony for offering water blessings to senior citizens.



Blood Donation activities were held on 31 May 2012 QTC in cooperation with Region 3 Blood Service Cente, Thai Red Cross, to accept blood donations in line with the project “Humble Blood Donations in Honor of Her Majesty, the Queen, Women's Council, Thai Red Cross Society on the occasion of Her Majesty, the Queen's Eightieth Birthday” in the Fairaday suite at the QTC Rayong Factory. Numerous civil servants, local citizens and employees from nearby factories came to donate blood.



On 10 August 2012, QTC held the first “QTC Meets the Public” hearing/symposium at the Fairaday Suite of the Rayong Factory. Over sixty community leaders, teachers, students and villagers participated in the seminar, which was led by Pulpipat Tanthanasin, CEO, and management team. And Rungpetch Kamhenidthong, Deputy Administrator, Mapyangporn Tambon Administrative Organization, was also invited to represent the local community in the seminar.

By sponsoring this activity, the company aimed to clarify to raise community awareness of the environmental impact caused by the company’s manufacturing processes, and the company gave the participants a tour of our manufacturing processes to assure residents that every production step is environmental friendly and highly safe, and to listen to opinions and suggestions from the communities on sustainable community development. The company gave one scholarship per class to students in the Mapyangporn District at four schools and one education center, namely, the Mapyangporn TAO Child Development Center, Ban Maptoey School, Ban Mapyangporn School, Ban Sapan See School and Ban Huayprap School, for a total of thirty-three scholarships amounting to 36,500 baht. In addition, 100,000 baht was also given to Ban Huay Prap School to support the construction of learning centers, “Multi-Purpose Square”, at Ban Huay Prap School.

The activity was hugely successful. Community representatives, teachers, students and local villagers were interested in the activity and admired the company’s environmental management and occupational safety and health management as well as the importance the company gives to CSR. The company was also accepted three proposals on community support proposed by the community’s representatives:

1. On the issue of using English to prepare for the AEC in 2015, the local teachers and academic committee and Mapyangporn Tambon Administrative Organization requested support on teacher’s capacity development in the English language so they could effectively teach students and interested individuals.
2. Concerning the school’s waste disposal issues, the school wanted the company to arrange for an instructor to inform teachers and students about waste sorting because the company is considered knowledgeable and capable of managing waste disposal.
3. On the issue of knowledge about safety in various areas, the school wanted to take a tour of the company’s safety and health promotion week activities held during 21-24 August 2012 in order to apply the knowledge acquired to daily living and teaching students.

The company’s CEO, Pulpipat Tanthanasin, accepted all three problems for consideration and appointed a CSR team to plan and further coordinate with the people involved.

At our electricity transformer donation on 30 November 2012, Mr. Siripong Buntham, Deputy Managing Director, and the company's CSR team gave a 100 kVA transformer valued at 110,000 baht, to Ban Maptoey School, Mapyangporn, Pluakdang, Rayong, which is a local school situated in the factory's residential area, for the school's learning/teaching activity development, especially for the development of technology teaching/learning, so children in the community can grow and learn with quality.



At the activities in our project, "Wat Sangsuk", on 1 December 2012, Phanu Srives, Supply Line Manager, and QTC volunteers, jointly participate in the Five S project, "Health Building" at Wat Sutthiworaram, Bangkok. The "Health Building" project, which is carried out in cooperation with the Health Promotion Support Fund Office, or HPSF, with the Technology Promotion Association (Thai-Japanese), or TPA, and private companies participating in the project, for the development of format and ideas on "Five S" management models to the role of the temple so Thai temples can become physical and emotional examples disseminating the Five S concept to the general public with the temple serving as the center for transferring Five S knowledge to communities and society to raise awareness on temple visits and participation in building a happy society.

In "QTC Does Good for the Father of Our Country, Second Annual Gathering of Local Relatives" is a project allowing QTC employees to present activities for hometown development. In 2012, the work selected was the work of a staff team from the north in the project "Adding Scientific Genius" hosted in cooperation with the project "Science and Information Camp" at King Mongkut's University of Technology North Bangkok. On 4-6 December 2012, Phanu Srives, Supply Line Manager, with employees and project representatives, participated in the science camp activity and gave Tesla Coil model BTC4K-/Plans With 12" and demonstrated the lightning phenomenon to students from Ban Maelik School nearby schools in the school district of Mae Sariang, Mae Hong Son.



General Information



Company Information

Company Name	: QTC Energy Public Company Limited
Type of Business	Operating the business of manufacturing and distributing electricity distribution transformers, including those for companies involved with electricity distribution transformers.
Main Office Address	: 2/2 Soi Krungthep Kritha 8 (5), Krungthep Kritha Rd., Huamark, Bangkok, Bangkok 10240
Factory Address	: 149 M.2 Tambol Mabyangporn, Ampur Pluakdaeng, Rayong 21140
Company Registration No.	: 0107553000158
Website	: www.qtc-energy.com
Telephone	: 02-379-3089-92
Facsimile	: 02-379-3099

Stock Register

Company Name	: Thai Securities Depository Co., Ltd.
Office Address	: 62 Stock Exchange of Thailand Building, Ratchadapisek Road, Klongtoey, Bangkok 10110
Telephone	: 0-2229-2800, 0-2654-5999
Facsimile	: 0-2359-1262-3

Auditor

Auditors	: Mr. Somckid Tiatragul, CPA (Thailand) No. 2785 or Mrs. Sumalee Chokdeeanant, CPA (Thailand) No. 3322 Mr. Mr. Kosol Yamleemul, CPA (Thailand) No. 4575
Company Name	: Grant Thornton Co., Ltd.
Office Address	: All Seasons Place 87/1 Wireless Rd., Lumpini, Pathumwan, Bangkok 10330
Telephone	: 0-2205-8222
Facsimile	: 0-2654-3339

Type of Business Operations

1 Background and Significant Developments

QTC Energy Public Co., Ltd., formerly known as Quality Transformer Co., Ltd., was registered on 19 July 1996 with a starting registered capital of 10 million baht to conduct the businesses of manufacturing and distributing electricity distribution transformers. On 4 July 2003, the company changed its name to QTC Transformers Co., Ltd., and the company became a public company limited under the name of QTC Energy Public Co., Ltd., on 19 August 2010, Mr. Poonphiphat Tantanasin as the founder. He has over thirty-five years of experience working in the transformer manufacturing industry who worked with major and leading companies manufacturing transformers domestically and held responsibilities in various aspects, including design, assembly and production as well as sales and marketing, so he has knowledge and expertise covering all aspects in the field of transformers. Furthermore, the company's administrative team, engineers and most company employees have had knowledge, experience and expertise in the electricity transformer business for more than 20 years. Moreover, they have received training from leading transformer manufacturing countries in foreign countries, such as Germany and Japan. The aforementioned experience has helped the company develop high quality transformers which have become widely accepted among the government enterprise customer group involved with electricity, namely, the Metropolitan Electricity Authority, the Provincial Electricity Authority, and in private sector customer groups both domestically and abroad.

Throughout the past, the company has continually developed transformer products and received accreditation according to various standards, such as Thai Industrial Standards TIS 384-2543 from the Thai Industrial Standards Institute, Ministry of Industry, ISO 9001:2000 standards for designs, production, and maintenance of distribution transformers. Furthermore, the company is able to produce quality transformers meeting various international standards, which is proof of the international quality of the transformers manufactured by QTC.

The details of significant company developments in the past are as follows:

2004	- The company increased registered capital by 40 million baht from the original registered capital of 10 million baht by issuing 400,000 new common shares valued at 100 baht per share in order to propose sales to existing shareholders, which put the company's registered capital at 50 million baht. - The company was accredited by Thai Industrial Standards TIS 384-2543 for power transformers from the Thai Industrial Standards Institute, Ministry of Industry. - The company's 250 kVA and 1000 kVA transformers passed short circuit testing from CESI, Ital
2005	The company increased its registered capital by 50 million baht from the original registered capital of 50 million baht by issuing 500,000 new common shares valued at 100 baht per share in order to propose sales to existing shareholders, which put the company's registered capital at 100 million baht.
2007	- The company's 167 kVA transformers passed short circuit testing from KEMA, the Netherlands. - The company received ISO 14001:1996 standards accreditation from RW-TÜV, Germany (2001).
2008	- The company received OHSAS 18001:2007 accreditation for occupational health and safety management systems from UKAS, England. SGS Company (Thailand) provided accreditation. - The company's 500 kVA and 2000 kVA transformers passed short circuit testing from CESI, Italy.

2008	- The company was granted the right to use the Q-MARK from the Joint-Standing Committee on Commerce, Industries and Banking (JSCCIB) consisting of the Thai Chamber of Commerce, the Federation of Thai Industries, and the Thai Bankers' Association as a mark for certification of product quality, business ethics, responsibility to customers, consumers and society including the manufacturing, trade and service sectors as follows: - Single phase oil type distribution transformers with sized 1-167 kVA with maximum voltage of 36 kv and three-phase oil type distribution transformers sized at 1-2500 kVA with maximum voltage of 36 kV with quality meeting the standards of trade partner countries and the standard quality of Thailand, which was issued on 27 May 2008 and effective until 26 May 2010. [Standards for] the distribution, services, repairs, and installations of transformers, including corporations, issued 21 March 2008 and effective until 20 March 2010. - The company was granted ISO 14001:2004 accreditation for environmental management systems from UKAS, England, and NAC, Thailand. SGS Company (Thailand) provided certification. - The company received the Thai Chamber of Commerce Business Ethics Standard Test Award of 2008 from the Thai Chamber of Commerce as an organization with ethical management according to the ethics of the Thai Chamber of Commerce comprising the following six key issues: - Fair treatment of all parties concerned. - Disclosure of information and transparency. - Risk management. - Promotion of excellent corporate practice. - Corporate social and national responsibility. - Yielding sustainable tangible returns for the nation. - The company increased registered capital by 50 million baht from the original registered capital of 100 million baht by issuing 500,000 new common shares valued 100 baht per share for proposed sales to existing shareholders at the proposed sales price of 100 baht per share. - The company was awarded the International Europe Award for Quality from exporting transformers for distribution in Spain.
2009	- The company was granted ISO 9001:2008 accreditation for quality management systems from UKAS, England, and NAC, Thailand. SGS Company (Thailand) provided accreditation. - The company was awarded the "D" Class Certificate of Clean Food Good Taste standards from the Department of Health, Ministry of Public Health.
2010	- The company received the 2nd Annual SME National Award of 2009 in machinery and equipment category from the Office of Small and Medium Enterprise Promotion (OSMEP), Ministry of Industry. - The company received the Prime Minister's Industry Award 2010 for SME Industrial Management from the Ministry of Industry. - In September of 2010, the company received extension of rights to use the Q-MARK from the Joint-Standing Committee on Commerce, Industries and Banking (JSCCIB) in the production sector and the trade and services sector as follows: - Single phase oil type distribution transformers sized at 1-167 kVA with maximum voltage of 36 kv and three-phase oil type distribution transformers sized at 1-2500 kVA with maximum voltage of 36 kV and quality to meet the standards of trading partner countries as well as the quality standards of Thailand, which were issued on 10 September 2010 and effective until 9 September 2012. - Distribution, sales, installation, and maintenance of transformers, which were issued on 10 September 2010 and effective until 9 September 2012. - The company received the "D" Class Certificate for Clean Food Good Taste standards from the Department of Health, Ministry of Public Health. - In August of 2010, the company became a public company limited and changed its name to QTC Energy Public Co., Ltd.

2011

- In March, the company registered changes in share value from the original value of 100 baht per share to 1 baht per share, including an increase in registered capital by 50 million baht from the original amount of 150 million baht, which put the registered capital at 200 million baht. Shares were divided as follows:
Forty-five million new common shares which were offered for public sales and
Five million new common shares which were offered for sale to company directors and employees.
- In April, the company constructed new offices at 2/2 Soi Krungthep Kritha 8 (5), Krungthep Kritha Rd., Huamark, Bangkok, Bangkok 10240
- In July, the company proposed the ordinary shares to the public (Initial Public Offering) and traded of shares on 28 July, 2011 by trading name "QTC"
- In August, the company was a top recipient of a Zero Accident Award (no occupational accidents causing ongoing work to stop over the past year for no less than 1,000,000 working hours) from the Zero Accident Campaign of 2011 from the Department of Welfare and Labor Protection, Ministry of Labor.
- In October, the company received the Top Corporate Governance Award (Eastern Region) from the Thai Chamber of Commerce Good Corporate Governance Commission in cooperation with the Office of the NCCC and the Thai Chamber of Commerce University.
- In November, the company was considered by the Thai Laboratory Accreditation Scheme, Electronics-Telecommunications, which decided to approve accreditation of the company's laboratory according to TIS 17025-2548 standards with the Thai Industrial Standards Institute (however, the company has not received an official certification and currently awaits the improvements of newly designed certificates).

2012

- February: Receipt of official laboratory accreditation meeting standard number TSI 17025-2548 (ISO/IEC 17025:2005), Certificate No. 12007/Tor 309, from the Thai Industrial Standards Institute, Ministry of Industry.
- February: The company moved to new offices at 2/2 Soi Krungthep Kritha 8, Intersection 5, Krungthep Kreetha Rd., Huamak, Bangkok, Bangkok 10240.
- In March, the company constructed factory buildings to expand production capacity by adding silicon slitting machines and silicon cutting machines, which were completed and opened for production in December at Pluak Dang, Rayong.
- Hitachi Metals Japan In July, the company participated in a cooperative project to manufacture Amorphous Distribution Transformers with Hitachi Metals Japan.
- June: The company received an award as a health promotion business facility from Privy Councilor Honorary Professor Dr. Kasem Wattanachai.
- In October, the company's 100 KVA 3 Ph 50 Hz 22000-400/230 V. , 100,500 KVA 3 Ph 50 Hz 33000-400/230 V. and 150,300,750 KVA 3 Ph 50 Hz 24000-416/240 V. passed the Short Circuit test of Italy's CESI.

2 Overview of Business Operations

QTC Energy Public Co., Ltd., conducts the businesses of manufacturing and distributing custom made transformers to domestic and foreign customers under the "QTC" trademark and customer trademarks. At present, the company's transformer projects can be categorized as follows:



1. Distribution Transformers:

1.1 Hermetically Sealed Oil Type Distribution Transformers.

1.2 Open Type Transformers with Conservators.

2. Power Transformers – The company began to make investments in constructing additions to factory buildings and ordered purchases of machinery for the production of power transformers in 2010. All of the machinery has been installed and was ready for production in September 2010.

Furthermore, the company also provides various types of services for customers, such as scheduled checks and maintenance, transformer repairs and maintenance, transformer oil fill services, transformer rental services, etc., in order to support customer needs and facilitate both customers who have purchased QTC transformers and other customers in general.

3 Business Goals

The company aims to become a world class transformer manufacturer by focusing on maintaining product quality and standards to assure customers of maximum efficiency with wide recognition by domestic and foreign customers. The company is firmly committed to maintaining its existing customer base as well as expanding into a new customer base, especially in the ASEAN Economic Community. The company has considered the competitive situation to occur following the AEC merger with a clear direction toward investing in manufacturing process development to achieve higher efficiency for a period of three years from 2012 – 2015. In terms of personnel investment, the company emphasizes development in line with human capital principles which develop personnel in conjunction with corporate strategies to increase competitive capabilities in the new era of economy which will occur in 2015 and the development of supply chain management because raw material transportation within AEC countries will receive tax and tariff exemption to 0% after 2015. In addition, each of these countries has policy for cutting logistics costs. Thus, the company must prepare to deal with freighting within AEC countries which will be rapid in addition to being tax- and tariff-free to improve competitive advantage. In addition, the company also gives importance to improving service quality and efficiency in order to build maximum satisfaction for customers who are users of QTC transformers and who use the transformers of other manufacturers, which will be a marketing channel adding to the company's opportunities to sell transformers in the future.

In managing the company toward achieving the aforementioned goals, the company upholds management under the principles of quality of details and good governance, as well as conducting business under the principles of business moral ethics for sustainable growth.

4 Future Projects

The company proceeds in line with projects investing in the future and already begin in 2011. The details are summarized as follows:

1. Compressed Bio-methane Gas (CBG)

It is the Ministry of Energy's policy to promote the production and use of alternative energy. In addition, it is also the Ministry's goal to use alternative energy in replacement of main energy by 20% within the next fifteen years by focusing on energy stability in conjunction with reduction of greenhouse gas emissions. Thus, the Energy Planning and Policy Office (EPPO) has consistently supported the innovation and development of environmentally friendly alternative energy. Most recently, it has supported PTT PCL in proceeding with the project "Research and Demonstration in Improving the Quality of Bio Gas as an Automobile Fuel" in order to conduct research and improve bio-gas quality and to produce compressed-methane gas (CBG) for use in automobiles. CBG is created by fermenting agro-industry raw materials and wastes, such as wastewater from sugar refineries and cassava flour factories or manure from animal husbandry in an oxygen-free condition to obtain raw bio-gas. The gas is then improved by isolation from contaminants and compressed for loading into tanks, after which it can be used in automobiles as an alternative for LPG and NGV fuels.

The company began studying the feasibility of investing in a CBG production project on 28 January 2011. A memorandum of understanding for transportation in a project to produce bio-gas from wastewater and pineapple factory waste was signed by three parties comprising QTC Energy Public Company Limited, Universal Absorbent and Medical PCL. and Samroi-yod Co., Ltd. to express an intention to jointly study the project to develop biological gases from wastewater and waste from pineapple factories. To date, the project has failed to meet expectations. Therefore, the board has deemed it fitting to terminate the gas production project and sell the project to PTT. A feasibility study is currently taking place on a project for mixing the gas produced with palm husks as fuel to be sold to EGAT.

2. Lightning Arrester Manufacturing Project

The company has been planning to invest in the manufacture of polymer lightning arresters. The company has received cooperation and support from ABB for the main raw materials used in lightning arrester production. The company is currently studying technology that would allow the company to manufacture a volume not to exceed 50,000 units per year at modest costs. The marketing demand is currently in the preliminary stages so the market size is not overly large. However, this market is expected to grow within a period three to five years. The relevant data is currently under study.

3. Dry Type Cast Resin Transformer Manufacturing Project

The company signed contract with Schneider (Thailand) limited (STL) for cooperation in manufacturing dry type cast resin transformers. The company will accept orders to manufacture the aforementioned transformers for STL so STL can sell them to their customers with STL remaining the supplier for high and low voltage coils as well as other key parts for the company. Initially, the company's service scope covers design to specifications set by customers, supplying other raw materials required for the manufacturing process, assembly and delivery of the finished products to STL or customers, depending upon the case. At present, the manufacturing and sales will commence in 2013.

4. Transformer Manufacturing Project in Laos PDR

The company plans to invest in transformer manufacturing in Laos. After consideration of feasibility studies and meetings, as well as a visit to the transformer manufacturing plant in Laos, the company has deemed it fitting to invest in the project. At present, investment data are being studied and the company expects the matter to be summarized within six months.

Revenue Structure

Revenue Type	2010		2011		2012	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Revenue from Electricity Distribution						
Transformer Sales	506.03	96.57	688.42	95.91	928.57	95.76
- Revenue from Domestic Transformer Sales	401.44	76.61	580.32	80.85	703.33	72.53
- Revenue from Overseas Transformer Sales	104.59	19.96	108.10	15.06	225.24	23.23
Revenue from Raw Material Sales ¹⁾	6.18	1.18	12.44	1.73	11.78	1.22
Consolidated Revenue from Sales	512.20	97.74	700.86	97.64	940.35	96.98
Revenue from Service Provision	8.57	1.64	13.60	1.89	19.16	1.98
Other Revenue ²⁾	3.25	0.62	3.33	0.46	10.19	1.06
Total Revenue	524.02	100.00	717.79	100.00	969.70	100.00

- Remarks:
- 1) Revenue from raw material sales is revenue occurring as a result of the sales of raw materials used as a component for the manufacture of electricity transformers to customers, such as transformer oil, low voltage terminal lugs, bushing gasket sets, etc.
 - 2) Other revenue comprising revenue from scrap sales, profit from exchange rates, interest receivable, etc.



Industry Condition and Competition Analysis



Domestic Market

Transformer manufacturing industry is an industry that is relating to electrical energy which is regarded as a foundation that plays an important role in people's livelihood as well as economic development of the country. Therefore, growth of transformer industry is consistent with electricity demand in each year which depends on main factors that consists of population growth, industry growth, and economic growth. In the past, electricity generation, electricity demand, and the country's GDP have been in the same direction. However, the growth of electricity demand is much higher than the country's GDP. Therefore, even in the period of economic recession, electricity usage only declines slightly compared with the change in the country's GDP. Therefore, in 1998 which the period of economic crisis, and there was an announcement to float the baht resulting in economic recession where the country's GDP declined from THB 3,072.6 billion in 1997 to THB 2,749.6 billion in 1998, or a decline of 10.51% while electricity demand declined from 81,998.02 GWH in 1997 to 79,899.63 GWH in 1998, for a decline of only 2.56%.

Apart from economic growth factor which affects electricity demand as mentioned above, population growth is another important factor that determines country's electricity demand. Thailand's population continues to grow due to the growth of communities. Provincial Electricity Authority and Metropolitan Electricity Authority who are responsible for distributing electricity to domestic users must invest more in distribution system. This also increases the demand of transformer which is one of the equipments used in the electricity distribution system.

As mentioned above that electrical energy is basic energy that is needed. If it is not sufficient for usage, it will affect people's livelihood and the overview of various businesses, including the country's economy. Therefore, Ministry of Energy and Electricity Generation Authority of Thailand have together prepared the latest Power Development Plan, B.E. 2553-2573 for Thailand (PDP 2010), which the maximum electricity demand is estimated to increase from 23,249 MW in 2010 to 52,890 MW in 2030, or an average annual growth of 4.42%, while electricity generation capacity will increase from 31,349 MW in 2010 to 65,547 MW in 2030, or an average annual growth of 3.96%. Therefore, all three electricity authorities, Electricity Generation Authority of Thailand (EGAT), Metropolitan Electricity Authority (MEA), and Provincial Electricity Authority (PEA) must have plans to invest in the increase of electricity generation capacity, as well as plans to upgrade and expand electricity distribution system according to the PDP 2010 in order to sufficiently generate and distribute electricity according to electrical energy demand of the country in the future. Such investment will also result in an expansion of transformer manufacturing and distribution industry in the country.



International Market

Energy Information Administration (EIA), USA, has estimated the growth of electricity generation in each continent around the world until 2035 to increase from 18,783 billion KW/h in 2007 to 35,191 billion KW/h in 2035, or an average annual growth of 2.30%. It is estimated that electricity generation of countries outside OECD will have an average growth of 3.3%, which is higher than electricity generation growth rate of countries in OECD which is at 1.1%. If considers only countries outside OECD, Asia is the region that has the most electricity generation on average which is at 4.1% per year. Therefore, this region is likely to have higher transformer demand than other regions. If considers the company's international customers base of the company in 2012, it was found that 22.10% of international transformer sales revenue comes from customers in Malaysia, which is a country in the region with high electricity generation growth, coupled with the company has potential to manufacture transformer according to international standards. Therefore, it is believed that the company's transformer products can compete in the world market, which would results in continuous growth of the company's transformer export in the future.

For Australia, which is another important market for the company's transformer export, which generates 74.60% of international transformer sales revenue in 2012, still have average growth rate of electricity generation of 1%. However, the major flood in Queensland from December 2010 to early 2011 had severely affected people's livelihood and Australia's economy, which will result in state and private sectors to invest in restoration and upgrade of various public utilities such as electricity distribution system etc. to resume normal operation, which may also requires more transformers.

Competition

The transformer market can be divided into power transformers and distribution transformers. In the past, all of the company's transformer sales have involved distribution transformers. There are approximately twenty manufacturers of distribution transformers comprising small manufacturers focused on price strategy rather than quality, and medium and large manufacturers who emphasize manufacturing products meeting quality standards. Each group of manufacturers has a different group of customers. The company is a medium-sized manufacturer capable of manufacturing high quality transformers that support the work of both public and private sectors. The company receives TSI 384-2543 accreditation and is capable of manufacturing transformers in line with various international standards. Passing short circuit test from CESI of Italy and KEMA of the Netherlands, the company's products are accepted for their quality by domestic and foreign customers. Thus, this increases the company's competitiveness against key rivals such as Ekarat Engineering PCL., Tirathai Public Company Limited, Charoenchai Transformer Co., Ltd., Tusco Trafo Co., Ltd., Thai Maxwell Electric Co., Ltd. and Thai Trafo Manufacturing Co., Ltd. Apart from the aforementioned, there are small manufacturers focused on price strategies without consideration for product quality, which is a different market from the company's products.

Becoming a new manufacturer and improving the transformer manufacturing process to achieve quality products meeting international standards are daunting challenges because they require costly investments in machinery. More importantly, they require an advanced level of manufacturing knowledge and technology in addition to skilled personnel. Thus, domestic rivalry only occurs against approximately seven manufacturers with technology and capacity for manufacturing high quality transformers. Each of these manufacturers must develop manufacturing technology to be capable to manufacture high quality transformers with ability to manage costs to achieve maximum efficiency with the goal of increasing capacity for continued and sustainable competitive advantage.

Risk Factors

1 Risks of Revenue Fluctuations and Dependence on Large Customers

The company's revenue is derived from bidding for transformer sales to customer groups who are manufacturers and distributors of government electricity enterprises primarily consisting of the Metropolitan Electricity Authority (MEA) and the Provincial Electricity Authority (PEA), which accounts for approximately 33-47% of all sales revenue, respectively. High revenue ratios from the sales of transformers to MEA and PEA may have impact on the company's revenue if the company loses the aforementioned customers. Furthermore, revenue from the sales of transformers to this group of customers depends upon the company's ability to win various bids while also depending on economic conditions and the budgets of each agency. Therefore, if the company does not win biddings or if biddings are rescheduled or agencies have reduced budgets for investing in transformer purchases, there will be impacts reducing the company's revenue and business performance. Therefore, the company emphasizes expanding the private sector customer base. The company also considers increasing product variety in response to the needs of every customer group. At present, the company is also able to produce power transformers.

2 Risks from Fluctuations in Raw Material Prices

The main raw materials used in transformer production comprise silicon metal, coated round wires and copper foils. The prices of the aforementioned raw materials will fluctuate according to the prices on the world market, which depend on supply and demand in the global market. In the past, the prices of silicon and copper underwent great fluctuations. Therefore, if the costs of raw materials increase rapidly, there may be impacts on the company's sales costs and gross profit margins because the company is unable to adjust product prices at an equal or higher rate than the aforementioned increase in raw material costs, which will have eventually have impact on the company's business performance. However, because the company has policies for setting product prices in line with costs added to the company's gross profit, the company is constantly checking the prices of raw materials, especially raw materials with highly fluctuating prices in order to be able to estimate production costs accurately and as near to real costs as possible so product prices can be set properly. Moreover, the fact that the company's executives have over 30 years of experience in the industry and good relationships with raw material suppliers enables the company to have reliable estimates for raw material price trends.

3 Risks from Foreign Exchange Rates

The company imports raw materials from foreign countries and exports products for distribution to foreign countries. In 2012, the company had revenue from sales in foreign currency equal to 222.55 million baht, which was 23.97% of all sales revenue, while the company ordered purchases of raw materials from foreign countries amounting to 230.23 million baht, which had to be paid in foreign currency. The company thereby enable to reduce risks from exchange rate fluctuations with natural hedges. However, the company realizes the importance of preventing the aforementioned risks. The company's Finance & Accounting Department will closely monitor the news and movements of exchange rates and the company will consider preventing risks by using forward contracts according to situations and necessity. Moreover, in the sales of transformers to foreign customers, the Sales Department will calculate transformer prices by using mark-ups for foreign exchange rates to cover the costs of risks and fluctuations, which will help minimize risks from fluctuations of exchange rates to a certain degree.

4 Risks from Delayed Product Deliveries

Because most of the company's revenue is derived from the sales of transformers to MEA and PEA, the sales of products to the aforementioned agencies generally have standard purchase agreements with clear schedules for delivering products. If the company is unable to deliver transformers according to the time period set in the agreement, the company must compensate for damages or pay fines at the rate of 0.15-0.20% of the value of undelivered work. The aforementioned delayed product deliveries also covers cases of transformer repairs during the guarantee period in which

the company must be held liable for repairing transformers to normal functional conditions and delivering transformers within specified times. The calculations of fines will be made daily beginning from the date of delayed product deliveries. The company maintains the key policy of manufacturing and delivering products to customers on time. The Sales Department and the Production Department will contact customers to update data, coordinate, and closely monitor the work in order to prevent errors which may prevent the company from delivering transformers to customers on time. With regard to transformer repairs, the company has currently improved transformer repairs for greater effectiveness by separating transformer repair lines from transformer production lines, which has helped the company manage time more efficiently. Furthermore, the implementation of the Enterprise Resources Planning (ERP) by the company has helped increase the efficiency of production planning.

5 Risks from Dependence on Loans from A Small Number of Financial Institutes

The company's current source capital for the business is from only one bank, which may pose a risk to the company if the company does not receive financial support from the aforementioned bank in the future. However, the fact that the company has conducted business with the aforementioned bank for a long period of time, and the fact that the aforementioned bank is a government enterprise with strong financial status gives the executives the confidence of receiving continued support from the aforementioned bank in the long run. Nevertheless, the company is aware of the aforementioned risk and is currently attempting to procure additional loans from other financial institutions. Furthermore, The company has been a listed company in Market for Alternative Investment (MAI), 2011. That will enable the company to procure additional funds from various sources in the future.

6 Risks from Dependence on Main Executives in Conducting Business

The main executives in terms of the company's production and sales are persons with over 20 years' experience in the transformer industry who have opportunities to work with leading domestic transformer manufacturing companies and received training from leading foreign transformer companies for a long period of time. Hence, the executives have knowledge and expertise in the transformer industry along with good relationships with customers and suppliers both domestically and abroad. The aforementioned experience has made the company's transformers quickly receive reliability and acceptance from both domestic and foreign customers. Therefore, the company may be at risk due to dependence on the main executives in terms of managing operations. If there are changes in the aforementioned main executives, the company's management may be subject to impact. However, the company has clear goals for motivating executives and employees to work with the company for the long run. The main executives and most of the company's personnel have worked with the company from its founding. The company also has policies for training employees at all levels and arranging for the dissemination of experiences along with additional education for employees with objectives for the company's employees to have complete skills, knowledge, capabilities and understanding in their responsibilities. Moreover, the company has policies to promote each level of employees to advance with ability to progress continually in the company, thereby causing the company to be confident that the aforementioned policies will maintain the company's personnel sustainably.

7 Risks from Having a Group of Major Shareholders with Total Shares Over 50%

As of 31 December 2012, the holdings of Mr. Poonphiphat Tantanasin's group accounted for 128,186,000 shares, which is 64.09% of all distributed company shares, thereby causing the aforementioned group of shareholders to have power to control the company with influence in nearly every company decision whether concerning appointments of directors, requests for decisions on other topics requiring a majority vote of the shareholders' meeting, except for issues stipulating by laws or company regulations a requirement of votes amounting to no less than three out of four from the shareholders' meeting. Therefore, other company shareholders are at risk from their inability to collect votes to check and balance issues proposed by major shareholders for the consideration of the shareholders' meeting. Nevertheless, the company has appointed the Audit Committee to check, consider and screen prevent agenda items posing potential conflicts of interest in the future and to generate transparency in the company's operations. The structure of the company's board of directors consists of two executive directors and five non-executive directors, including the Chairmen of the company's board of directors and three audit directors. The aforementioned director structure will help create balance in votes considering various issues and help with the supervision and management of work for suitability and maximum efficiency.

Shareholder Structure

The Company's Ten Major Shareholders as of 28 December 2012:

No.	Shareholder	Number of Shares (Shares)	Shareholder Ratio (%)
1	Tantanasin Group		
1.1	Mrs. Alisara Charuenvanich	37,696,000	18.85
1.2	Miss Sasikarn Tantanasin	45,000,000	22.50
1.3	Mr. Patcharapong Tantanasin	45,000,000	22.50
1.4	Mr. Poonphiphat Tantanasin	490,000	0.25
	Tantasin Group have shares totally	128,186,000	64.09
2	Thai NVDR Co., Ltd.	14,870,500	7.44
3	Miss Panisara Prachaleesakul	3,000,000	1.50
4	Mr. Chamadol Chomcherngpaet	1,900,000	0.95
5	Mr. Supakorn Emasuda	1,500,000	0.75
6	Mr. Thanasarn Horsuwan	1,400,000	0.70
7	Mrs. Salim Thanacheewit	1,051,300	0.53
8	Mr. Sueppong Tungtrongmit	1,000,000	0.50
9	Mr. Prasert Lohawiboonthrap	1,000,000	0.50
10	Mr. Siripong Boontam	1,000,000	0.50
	Other Shareholders	45,092,200	22.55
	Total		100.00

1 Dividend Payment Policy

The company has policy for payment of annual dividends at no less than fifty percent of the net profit after deduction of juristic person income taxes and allocation of reserve funds in compliance with the law. However, the company may consider dividend payments differing from the set policy, depending upon business performance, financial liquidity, economic conditions and necessity to use current capital in order to manage operations and expand the company's business.

Management Structure

1 Corporate Management Structure

As of 31 December 2012, the company had the following corporate management structure:



2 Management Structure

The company's management structure consists of the company's board of directors and two other committees consisting of the Audit Committee and the Executive Board of Directors comprising the executives. The company's directors, auditing directors, executive directors and executives are qualified according to Section 68 of the Public Limited Company Act of 1992 and in compliance with related announcements by the Capital Market Supervisory Board. The details of the company's management structure are as follows:

2.1 Board of Directors

The company's board of directors consists of the following eight directors:

First-Last Name		Position
1.	Prof. Dr. Somchob Chaiyavej	Chairman and Independent Director
2.	Mr.Poonhiphat Tantanasin	Director
3.	Mr. Nipon Jaisin*	Director
4.	Mr.Siripong Boontam	Director
5.	Mr. Nakorn Phrprasert	Director and Independent Director
6.	Mr.Padetpai Meekun-iam	Independent Director and Chairman of the Audit Committee
7.	Mr. Pholrach Piathanom	Independent Director and Audit Director
8.	Mr. Nattharphon Lilawatthanun	Independent Director and Audit Director

Remarks: *Mr. Nipon Jaisin's resignation from the board became effective as of 1 June 2012.

Miss Boonpa Ruddist is the corporate secretary appointed by the 1/2554 meeting of the board of directors on 24 February 2011.

Signatory Directors Authorized to Sign and Obligate the Company

Mr. Poonphiphat Tantanasin has signatory authority with Mr. Nipon Jaisin or Mr. Siripong Boontam and affixes the company seal.

Board of Directors Scope of Authority and Duties

1. The board of directors has the authority, duty and responsibility of managing the company according to the company's bylaws, objectives and regulations, including legal resolutions by the meeting of shareholders with integrity and must maintain the company's interests.
2. The board of directors must arrange a general shareholder's meeting within four months from the end of the company's accounting cycle.
3. The board of directors must arrange a meeting of the company's board of directors at least every three months.
4. The board of directors must arrange credible systems for accounting, financial reports and auditing, including efficient and effective systems for internal control, internal auditing and risk management.
5. The board of directors must arrange the company's balance sheets and profit-loss statements at the end of the company's accounting cycle, which must be audited by an auditor and presented to the meeting of shareholders for consideration and approval.
6. The board of directors must set the company's goals, guidelines, policies, business plans and budgets along with monitoring and supervision, so the administration and management of executives concurs with work planning policies and setting budgets with efficiency and effectiveness.

Furthermore, the scope of the board of directors' duties includes direction for the company to comply with laws on securities and securities exchanges, announcements of the Capital Market Supervisory Board, specifications of the Stock Exchange of Thailand such as engaging in connected transactions, acquisitions or sales of significant properties, or laws associated with the company's businesses.

7. The board of directors must consider reviews, audits and approvals of plans by the executives for business expansion, large investment projects, including participation in investments with other business operators proposed by the executives.
8. The board of directors must continually monitor performance for concurrence with plans and budgets.
9. The board of directors must consider designating executive structures with authority to appoint the Executive Board of Directors, Managing Directors and other sub-committees as deemed fitting, such as the Audit Committee, the Recruitment Committee, the Remuneration Committee, etc., including the setting of the scopes of authority and duties of the Executive Board of Directors, Managing Directors and various appointed sub-committees.

Authorizations according to designated scopes of authority and duty with no characteristics of allowing the aforementioned Executive Board of Directors, Managing Directors and various sub-committees to be able to consider and approve transactions with potential conflicts of interest or conflicts of any other interests with the company or its subsidiaries (if any), except for approval of transactions in line with policies and criteria considered and approved by the board of directors.

10. The board of directors may authorize a director, several directors, or any other persons to perform any actions on behalf of the board of directors under the control of the board of directors, or the board of directors may authorize the aforementioned persons to have authority as deemed necessary by the board of directors within the period of time the board of directors deems fitting. The board of directors may cancel, withdraw, change or revise authorizations as deemed necessary.

Authorizations must not have characteristics of allowing the aforementioned persons to consider and approve of transactions in which they or other persons with potential conflicts of interests as stakeholders or other potential conflicts of interest with the company or its subsidiaries (if any), except for approval of routine business transaction according to normal trade conditions or according to policies and criteria considered and approved by the board of directors under criteria, conditions and designated methods concerned with connected/related

transactions and acquisition or distribution transaction of key properties of registered companies according to announcements by the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or any other announcements by related agencies.

To promote and support board directors in attending every board meeting, the company has set up a meeting schedule in advance on a yearly basis and board directors are notified.

2.2 Audit Committee

The Audit Committee of the company which was appointed by the 6/2551 Special Meeting of Shareholders on 28 November 2008 consists of the following three directors:

First-Last Name	Position
1. Mr.Padetpai Meekun-iam	Chairman of the Audit Committee
2. Mr. Pholrach Piathanom*	Audit Director
3. Mr. Natthaphon Lilawatthanun*	Audit Director

Remarks: * Refers to directors with sufficient knowledge and experience for the duty of checking the validity of financial statements.

Mr. Kittisak Chanokmat is the secretary of the Audit Committee.

Audit Committee Scope of Authority and Duties

1. Check the accuracy and adequacy of the company's financial reports.
2. Check so the company's internal control and internal audit systems are suitable and effective. Consider independence of internal audit agencies, including approval of considerations to appoint, transfer or terminate employment of the head of internal control work units, or any other work units with responsibilities involving internal audits.
3. Check to assure the company's compliance with laws on securities and securities exchanges, specifications of stock exchanges and laws involved with the company's businesses.
4. Consider, select and propose the appointments of independent persons to perform duties as company auditors and propose remuneration for the aforementioned persons. Also participate in meetings with auditors without attendance of the management at least once annually.
5. Consider connected/related transactions, or transactions with potential conflicts of interest according to the laws and specifications set forth by stock exchanges in order to ensure that the aforementioned transactions are reasonable with maximum benefit for the company.
6. Arrange Audit Committee reports for disclosure in the company's annual report. The aforementioned report must be signed by the Chairman of the Audit Committee and must contain the following minimum information:
 - (a) Opinions regarding the accuracy, completeness and credibility of the company's financial reports.
 - (b) Opinions regarding the adequacy of the company's internal control system.
 - (c) Opinions regarding compliance with laws on securities and securities exchanges, specifications of stock exchanges, or laws associated with the company's businesses.
 - (d) Opinions regarding auditor suitability.
 - (e) Opinions regarding transactions with potential conflicts of interest.
 - (f) Numbers of Audit Committee meeting and individual Audit Director attendance.
 - (g) Overall opinions or observations acquired by the Audit Committee from performing duties according to the charter.
 - (h) Any other transactions the Audit Committee deems the normal shareholders and investors should be aware of under the scopes of duties and responsibilities assigned by the company's board of directors.
7. Perform any other duties assigned by the company's board of directors with approval from the Audit Committee.

2.3 Risk Management Committee

The board of directors is aware of the significance of the company's risk management and control. Thus, a Risk Management Committee was established by the 3/2012 meeting of the board of directors in order to assure efficient risk management. The Risk Management Committee is responsible for overseeing the company's risk management protocol in agreement with business plans, policies and strategies, as set in writing by the board of directors on the criteria for the Risk Management Committee. The Risk Management Committee comprises the following individuals:

1. Mr. Poonhiphat Tantanasin	Risk Management Committee Chairman
2. Mr. Siripong Boontam	Director
3. Mr. Panu Sinives	Director
4. Mr. Ruangchai Kritsanakriangkrai	Director
5. Miss Boonpa Ruddist	Director
6. Mr. Charoensak Sarawong	Director
7. Mr. Chanwoot Meeploi	Director
8. Ms. Su-anya Phummanulaap	Director
9. Ms. Chotika Chumpunon	Director and Secretary

Risk Management Committee Scope and Responsibilities

1. Sets the company's risk management guidelines and policies covering various types of significant risks, such as financial risks, exchange rate risks, marketing risks and other types of risks with potential impacts of the company's business operations and image to be presented to the Board of Director for consideration and approval.
2. Assesses and analyzes risk factors occurring with the company, including the setting of risk measurement criteria and an acceptable risk ceiling.
3. Sets risk management protocol and assesses, controls, monitors and develops the protocol with maximum efficiency and suitability in managing all types of potential risks occurring.
4. Reports to the Board of Director on a regular basis regarding the company's risk management, risk performance and status, and changes, including issues requiring correction, and notifies the Board of Directors for the review of sufficiency and suitability.
5. Manages and controls the company's overall risk management to maintain concurrence with the principles of good governance.
6. Reviews sufficiency of risk management policies and systems, including system effectiveness and compliance with set policies.
7. Designates and sets up risk management teams as necessary.
8. Carries out duties delegated by the Board of Directors.

The Risk Management Committee holds meetings once every three months and reports to the Audit Committee and the Board of Directors on a quarterly basis.

2.4 Executive Board of Directors

The company's Executive Board of Directors comprises the following six directors:

First-Last Name	Positions
1. Mr.Poonphiphat Tantanasin	Chief Executive Officer
2. Mr.Nipon Jaisin*	Executive Director
3. Mr.Siripong Boontam	Executive Director
4. Mr. Panu Sinives	Executive Director
5. Miss Boonpa Ruddist	Executive Director
6. Miss Chotika Chumpon	Executive Director

Remarks: *Mr. Nipon Jaisin's resignation from the board became effective as of 1 June 2012.

Miss Boonpa Ruddist is the secretary of the Executive Board of Directors appointed by the 1/2554 meeting of the board of directors on 24 February 2011.

Scope of Authority and Duties of the Executive Board of Directors

1. Proposal of goals, policies, business plans, including the company's business strategies and annual budgets for consideration of approval by the company's board of directors.
2. The executive board of directors must supervise compliance of the company's businesses with policies, work plans and budgets approved by the company's board of directors.
3. Consideration of approval of the company's regular business transactions, such as investments to purchase machinery and other properties in line with investments or budgets approved by the company's board of directors, purchases of raw materials into warehouses, sales of goods, etc. The balances for each transaction must be made under authority with the approval of the company's board of directors.
4. Establish corporate structure, authority to administrate the corporation and consider adjusting the salaries and bonuses of employees at levels lower than departmental managers, including consideration of approval of labor rates not included in annual budgets.
5. The executive board of directors has the authority to appoint or employ consultants associated with corporate administration for maximum efficiency.
6. The executive board of directors must consider the company's profits and losses and propose interim dividend payments or annual dividends for approval from the company's board of directors.
7. The executive board of directors has the authority to authorize any person or persons to operate under the control of the executive board of directors or authorize the aforementioned person or persons to have authority as deemed fitting by the executive board of directors within a period of time deemed fitting by the executive board of directors. The executive board of directors may cancel, withdraw, change, or revise authorized persons or authorizations as deemed necessary.
8. Perform other duties assigned by the company's board of directors.
9. Authorizations of authority, duties and responsibilities by the executive board of directors must not be characteristic of authorizations or temporary authorizations enabling the person or persons authorized by the executive board of directors to approve of transactions in which that person or other persons have potential conflicts of interest (according to the definitions set forth in the announcements of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or related agencies) as stakeholders or with any other conflicts of interest with the company or its subsidiaries and/or related companies. The executive board of directors does not have the authority to approve of actions regarding the aforementioned issues. The aforementioned issues must be presented to the meeting of the board of directors and/or the meeting of shareholders (depending upon the case) for approval, except for approval of transactions under normal business and trade conditions according to the announcements of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or related agencies.

2.5 Corporate Secretary

In the 1/2554 meeting of the company's board of directors on 24 February 2011, the board of directors passed a resolution to appoint Miss Boonpa Ruddist to the position of Corporate Secretary in compliance with Section 89/15 of the Securities and Exchange Act of 1992 revised by the Securities and Exchange Act (Volume 4) of 2008. Duties and responsibilities of the Corporate Secretary are as follows:

1. Arrange and maintain the following documents:
 - (a) Director's Charter
 - (b) Letters of notification of directors' meetings, minutes to the meetings of the company's board of directors and the company's annual reports.
 - (c) Letters of notification of shareholders' meetings and minutes to the meetings of shareholders.
2. Maintenance of reports on stakeholders reported by directors and executives.
3. Any other actions announced and stipulated by the Capital Market Supervisory Board.

In order to promote knowledge of secretarial work and to enable the efficient performance of secretary work, the company's secretary must pass various training courses such as "Fundamental Laws and Criteria on Listed Companies" and "Company Secretary", and attend seminars arranged by the Stock Exchange of Thailand.

2.6 Executives

The company has a total of seven executives as follows:

First-Last Name	Positions
1. Mr.Nipon Jaisin*	Managing Director
2. Mr.Siripong Boontam	Deputy Managing Director
3. Mr.Panu Sinives	Manager, Supply Chain and Logistic
4. Miss Boonpa Ruddist	Manager, General Management Department
5. Miss Chotika Chumpon	Manager, Finance & Accounting Department
6. Mr. Charoensak Sarawong	Manager, Production Department
7. Mr. Chanvut Meeploi	Manager, Engineering Department
8. Mr. Ruangchai Kritsnakriengkri	Manager, Internal Sales Department
9. Miss Suanya Pummanularp	Manager, Domestic Sales Department

Remarks: *Mr. Nipon Jaisin's resignation from Managing Director became effective as of 1 June 2012.

Mr. Poonphiphat Tantanasin took the office of Managing Director on 1 June 2012.

Scope of Authority and Duties of the Managing Director

1. Supervise business operations and/or administrate the company's daily work.
2. Carry out or administrate work in line with policies, work plans and budgets approved by the board of directors and/or the executive board of directors.
3. Set the company's policies, business plans, business strategies and annual budgets for presentation to the executive board of directors and request approval from the company's board of directors.
4. Consider approval of the company's regular business transactions, such as investments to purchase machinery and other assets in line with investment budgets or budgets approved by the company's board of directors, purchases of raw materials into warehouses and distribution of products, etc. The balance for each item must be approved by the authority of the company's board of directors.
5. The Managing Director has the authority to approve rates for labor, employment and filling employee positions, appointment and transfers of employees at levels lower than departmental managers as approved by the company's board of directors, including the consideration of duties and responsibilities of each unit and position.

6. Continually monitor and evaluate the company's performance. The Managing Director also has the duty of reporting on performance and management, including work progress, to the Executive Board of Directors, the Audit Committee and the company's board of directors.
7. Consider approval of entry into agreements regarding the company's regular business. The balance for each transaction must be in line with authorization already approved by the company's board of directors.
8. Issue orders, regulations, announcement and various records for the company's performance in line with policies in the interests of the company, including the maintenance of discipline in the corporation.
9. The Managing Director has the authority to appoint committees or various working groups for benefits, efficiency and transparency in management. The Managing Director has the authority to authorize any person or persons to operate under the control of the Managing Director and the Managing director may authorize the aforementioned person or persons to have authority as deemed fitting by the Managing Director. The Managing Director may cancel, terminate, change, or amend persons who have been granted authority, or the granting of said authority, as the Managing Director deems it fitting to do so.
10. Perform other duties as assigned by the executive board of directors or the board of directors.

On any issues where the Managing Director, persons authorized by the Managing Director, or persons with potential conflicts of interest (according to the definitions set forth in the announcements of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or related agencies) as stakeholders or other conflicts of interest with the company and/or its subsidiaries and/or affiliated companies, the Managing Director has no authority to approve of the aforementioned issues. The aforementioned issues must be presented to the meeting of the company's board of directors and/or the meeting of shareholders (depending upon the case) in order to request approval, except for approvals of transactions in accordance with the company's regular business and trade conditions as set forth in the announcements of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or related agencies.

Setting Authority to Approve of Financial Amounts

The company has set authority for the approval of financial amounts for the company's regular business transactions, which can be summarized as follows:

	Departmental Managers	Deputy Managing Director	Managing Director	Executive Board of Directors
(1) Investments from investment budgets (per project).	-	No more than 2 million baht	No more than 3 million baht	No more than 20 million baht
(2) Investments outside of budget plans.	-	-	-	No more than 5 million baht
(3) Expenses associated with assets: - Purchases of machinery according to investment budgets. - Purchases of other assets.	-	No more than 2 million baht	No more than 3 million baht	No more than 24 million baht
(4) Sale of products by setting prices according to price policies (Price List).	No more than 5 million baht	-	No more than 10 million baht	No more than 50 million baht
(5) Sale of products by setting prices lower than price policies (Price List) ¹	No more than 10%	-	No more than 15%	> 15%
(6) Requests to purchase raw materials into warehouses for production ²	No more than 1 million baht	No more than 5 million baht	No more than 10 million baht	> 10 million baht
(7) Requests to purchase machinery/instruments/buildings and facilities ³	No more than 200,000 baht	No more than 2 million baht	No more than 3 million baht	> 3 million baht

Remarks:

1. Considerations for approval of product sales at prices lower than price lists must also include consideration of sales values apart from proceeding as authorized in (5) by requesting approval from authorized persons in line with the sales values set forth in (4).
2. The company has considered granting the executive board of directors the authority to approve of requests to purchase raw materials for production into warehouses without financial limitations, because the main raw materials which need to be ordered, e.g. silicon and copper foil, are raw materials with few producers and sales prices referenced to prices on the global market which is constantly changing. Therefore, considerations of each purchase order will be made in terms of need for raw materials, including trends in the fluctuating prices of main raw materials, which rely on flexibility and speed in the process. In practice, however, the company reports the aforementioned issue to the company's board of directors in board of directors meetings.
3. Investments to purchase machinery must concur with investment structures approved by the company's board of directors. In terms of procedures, the party to purchase the assets must request approval to purchase assets as authorized in (3). The authority in (7) involves signing for approval of purchase requests.

3 Recruitment of Directors

Shareholders' meetings will carry out the selection of persons to be appointed as company directors. The company's board of directors will consider selecting new directors based on experience, knowledge, capabilities and qualifications as set forth by the law, because the company does not have a committee to recruit and select persons to serve in the aforementioned positions. Afterwards, the meeting of shareholders will select directors according to the criteria and methods set forth in company regulations.

3.1 Elements and Appointments of the Board of Directors

The elements and recruitment of directors to appoint, remove, or release from the position of a company director are set forth in company regulations. The relevant contents are summarized as follows:

- 1 The company's board of directors comprises no less than five directors and no less than half of all directors must reside in the Kingdom with qualifications as set forth by law.
- 2 Shareholders' meetings must select directors according to the following criteria and methods:
 - 1) Each shareholder has the right to cast votes equal to the number of shares held by that shareholder.
 - 2) Each shareholder may use their votes to elect one or several persons as directors. In cases where a shareholder elects several persons as directors, the shareholder may not give unequal votes to any person.
 - 3) The persons who receive the highest number of votes will be the persons appointed as directors in order according to the number of directors allowed or the number of directors being elected at the time of the meeting. In cases where the next person in line exceeds the quota of directors allowed or the number of directors being elected at that time with equal votes, the Chairman will cast the deciding vote.
- 3 In every annual shareholder's meeting, one-third of the existing directors must be released from office. If the number of directors cannot be divided equally into three parts, the number of directors nearest one-third of the existing directors must be released from office. Directors who will be out of office in the first and second years following the registration of the company must draw lots. In subsequent years, the directors who have been in office longest must be released. Directors whose terms will expire may be reelected.
- 4 Any director wishing to resign must submit a resignation form to the company. Resignations shall be effective from the date the resignation form reaches the company.
- 5 In cases where director's seats become vacant due to causes other than expiration of term, the company's board of directors may select persons with qualifications who have no prohibited characteristics according to the laws governing public limited companies and/or laws on securities and securities

exchanges as directors in the next meeting. Unless the remaining term of the directors is less than two months, new replacement directors may remain in office only for the remaining term of the director who was replaced.

The decisions of the board of directors must be made with votes of no less than three-fourths of the remaining directors.

- 6 Shareholder's meetings may pass a resolution for any director to be released from office prematurely with votes of no less than three-fourths of shareholders entitled to vote and in attendance at the meeting. Furthermore, the total number of shares of must be no less than half of the number of shares held by shareholders entitled to vote and in attendance at the meeting.

3.2 Elements and Appointments of Independent Directors

The company's board of directors will jointly consider the basic qualifications of independent director candidates by considering qualifications and prohibited characteristics of directors according to the Public Limited Company Act, laws on securities and securities exchanges, announcements of the Capital Market Supervisory Board, including announcements, rules and/or related regulations. Furthermore, the company's board of directors will consider selecting independent directors from qualified persons with work experience and suitability in other aspects before proposal to the meeting of shareholders for consideration of appointment as a company director. The company has set policy for appointing independent directors at one out of three directors and the number of independent directors must be no less than three independent directors.

Qualifications of Independent Directors

1. Independent directors must hold no more than 1% of all company, parent company, subsidiary, affiliated company or juristic person shares entitled to vote with potential conflicts of interest. Shares held by related persons are also counted.
2. Independent directors must be persons who are not and never have been directors who have participated as managers, subordinate, employees, consultants with regular salaries, or persons with power to control the company, parent company, subsidiaries, affiliated companies, equal level subsidiaries, or juristic persons with potential conflicts of interest, unless the person has not had met the aforementioned criteria for no less than two years prior to the date of submitting applications to the SEC.
3. Independent directors must not be persons related by blood or legal registration as a parent, spouse, sibling or child, including spouses of children, to major executives, shareholders, persons with authority to control, or executive candidates, or persons with authority to control the company or its subsidiaries.
4. Independent directors must not have or ever have had business relationships with the company, parent company, subsidiaries, affiliated companies, or juristic persons with potential conflicts of interest in characteristics which may obstruct independent judgment. Moreover, independent directors must not be or ever have been a major shareholder, director, or executive of persons with business relationships with the company, parent company, subsidiaries, affiliated companies, or juristic persons with potential conflicts of interest, unless independent directors have been free from the aforementioned characteristics for no less than two years before the date of the application for SEC permission.
5. Independent directors must not be or ever have been auditors to the company, parent company, subsidiaries, affiliated companies, or juristic persons with potential conflicts of interest. Moreover, independent directors must not be or ever have been a major shareholder, director, executive or manager-shareholder of auditing offices employing auditors for the company, parent company, subsidiaries, affiliated companies, or juristic persons with potential conflicts of interest, unless the independent director has been free from the aforementioned characteristics for no less than two years prior to the date of application for SEC permission.
6. Independent directors must not be or ever have been service providers in any profession, including legal consultant services or financial consultant services, which have received service fees of more than two million baht per year from the company, parent company, subsidiaries, affiliated companies, or juristic persons with potential conflicts of interest. Moreover, in cases where professional service providers were juristic persons, this includes being a major shareholder, a director, an executive or managing partner of auditing offices employing auditors to the company, parent company, subsidiaries, affiliated companies,

or juristic persons with potential conflicts of interest, unless the independent director has free from the aforementioned characteristics for no less than two years prior to the date of application for SEC permission.

7. Independent directors must not be directors appointed to represent company directors, major shareholders, or shareholders associated with major shareholders of the company.
8. Independent directors must not have any other characteristics preventing independent opinions concerning the company's operations.

3.3 Elements and Appointments of the Audit Committee

The company's board of directors will appoint the Audit Committee comprising of a minimum of three Audit Directors by appointing independent directors with qualifications meeting the specifications set forth by laws governing securities and securities exchanges, including the announcements, regulations and/or rules of the Stock Exchange of Thailand. Furthermore, independent directors holding the position of Audit Directors must meet the following additional qualifications:

1. Independent directors must not be directors assigned by the board of directors in the business operations of the company, parent company, subsidiaries, affiliated companies, subsidiaries of the same level, or juristic persons with potential conflicts.
2. An Audit director must not be a director of the parent company, subsidiaries, or registered subsidiaries of the same level.
3. Audit Directors must have sufficient knowledge and experience to perform duties as Audit Directors. A minimum of one Audit Director must have sufficient knowledge and experience to perform duties in checking the validity of financial budgets.

Each Audit Director shall have a three-year term in office.

4 Remuneration for Directors and Executives

4.1 Monetary Remuneration

Remuneration for the Board of Directors

In 2011, the company paid meeting allowances to the company's board of directors according to the following details:

(Unit: Baht)

First-Last Name	2011	2012
1. Prof. Dr. Somchob Chaiyavej	70,000	60,000
2. Mr.Poonphiphat Tantanasin	50,000	40,000
3. Mr.Nipon Jaisin*	50,000	20,000
4. Mr.Siripong Boontam	50,000	40,000
5. Mr.Padetpai Meekun-iam ¹⁾	105,000	100,000
6. Mr. Pholrach Piathanom ¹⁾	80,000	80,000
7. Mr. Natthaphon Lilawatthananan ¹⁾	90,000	80,000
8. Mr. Nakorn Phraprasert	50,000	40,000
Total:	545,000	460,000

Remarks: 1 *Mr. Nipon Jaisin's resignation from Managing Director became effective as of 1 June 2012.

- 2 Directors 5-7 are also audit directors, so the figures shown in the table include meeting allowances received as directors and audit directors.

Executive Remuneration

The annual shareholder's meeting of 2012 which was held 24 April 2012 passed a resolution to set directors' remuneration for the year of 2012 as follows:

- Director remuneration for 2012 in the form of meeting allowances and annual remuneration amounts to no more than 3,300,000 (three million and three hundred thousand) baht.
- No other types of remuneration.

Executive Remuneration

In 2011 and 2012, the company paid 14.30 million and 16.70 million baht, respectively, to the executives. The remuneration included salary, bonuses, provident fund contributions, other types of remuneration and automobile of office.

5 Security Purchase/Sales and Using Internal and Classified Information Policy

1. Directors, executives, personnel and employees, including their spouses and under-aged children are forbidden from purchasing/selling the company's securities within one month before the disclosure of financial statements to the public.
2. Directors, executives, personnel and employees, including their spouses and under-aged children are forbidden from using the company's inside information with certain or potential impact on the company's security price changes which have not been disclosed to the public for buying and selling, proposing to buy/sell or persuading other people to buy/sell, propose to buy/sell the company's securities, either directly or indirectly, prior to the disclosure of information to the public, whether such actions are in the interests of the person acting on his/her own behalf or the interests of other people, or in order to have shareholders perform the aforementioned actions for receipt of personal gain. Violators will be subject to penalties in line with company regulations.
3. Directors, executives, personnel and employees are forbidden from disclosing the company's classified information and/or internal information for personal gain or in the interests of other people, whether directly or indirectly, and with or without return benefits.
4. Directors, executives, personnel and employees must maintain the interests and professional secrets of the company or the company's customers, and must not disclose company classified information to outside individuals, especially, the company's competition, even following termination of director, executive or employee status.

The policy on security buying/selling and the use of internal information and classified information is available in the business code of ethics, which has been made into a manual to be distributed to managing directors and all employees, and signed by all for full compliance together with supervision of compliance with business ethics employee ethics set forth in the manual.

The full version is available at www.qtc-energy.com.

6 Personnel

6.1 Number of Employees

As of 31 December 2012, the company had a total of 170 employees (not including night executives) with 167 as regular employees and 3 as daily employees according to the following details:

Department	Regular Staff (persons)	Daily Staff (persons)	Total (persons)
Service Center	13	-	13
Supply Chain & Logistic	22	1	23
Domestic Sales Department	8	-	8
International Sales Department	2	-	2
Administrative Department	10	-	10
Accounting Financial Department	13	-	13
Production Department	76	2	78
Engineering Department	20	-	20
Safety	2	-	2
Research and Development	1	-	1
Total	167	3	170

Remarks: According to the organizational structure, the Customer Care and Services Center, Supply Chain and Logistics, International Sales, Domestic Sales, Management, Accounting and Finance directly report to the Managing Director. Production, Engineering, Security and Research and Development directly report to the Deputy Managing Director.

6.2 Labor Disputes

-None-

6.3 Employee Remuneration

Monetary Remuneration

In 2011, the company paid remuneration to its employees (not including executives) amounting to 60.09 million baht in the form of salaries, bonuses, overtime pay, provident fund contributions and other benefits.

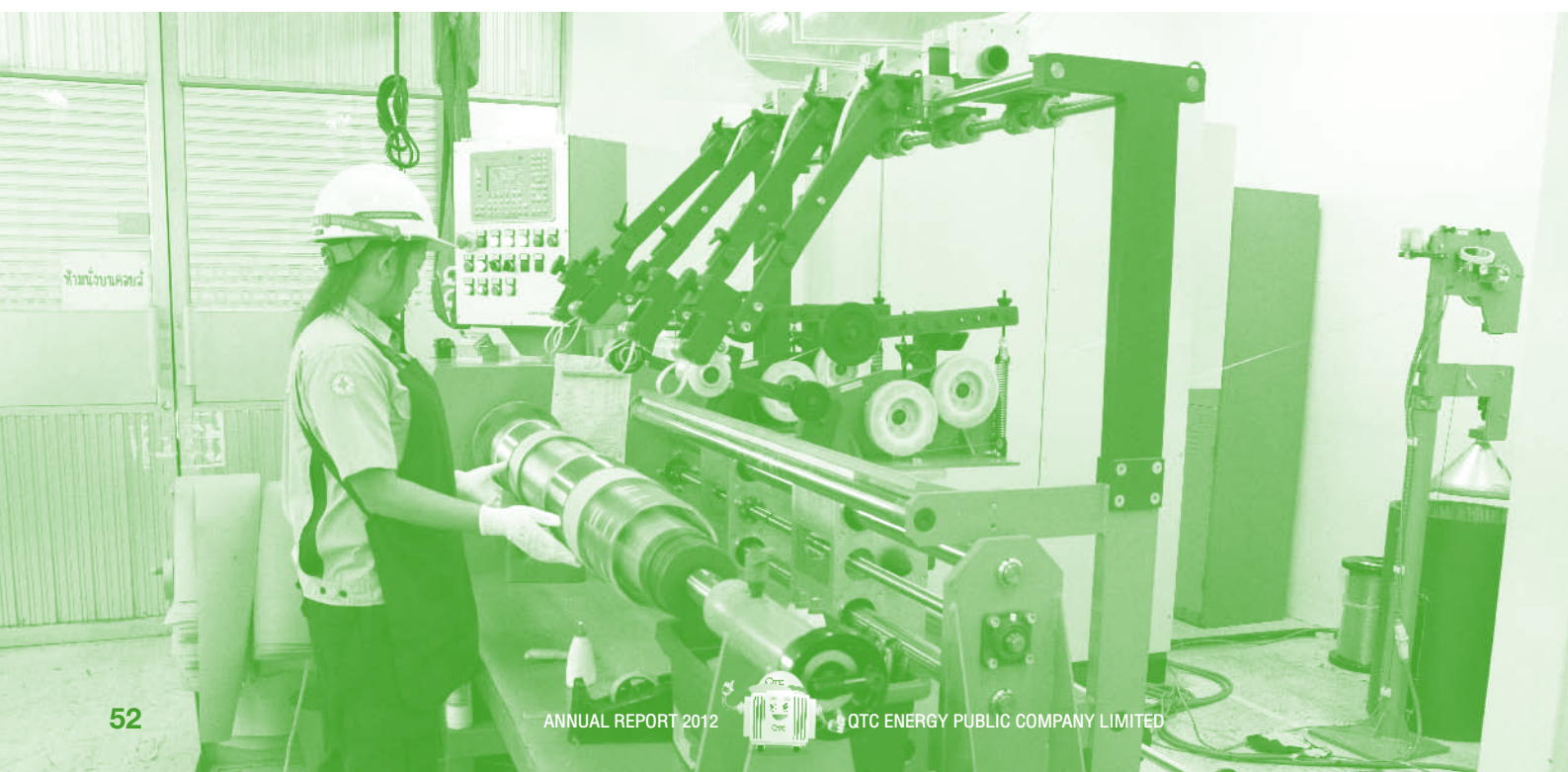
Other Remuneration

-None-

6.4 Personnel Development Policy

It is the company's vision to be a world class transformer manufacturer with a mission to respond to challenges in developing the customers' electrical systems to meet world class quality standards leading to the setting of all personnel development policy so personnel have capability to achieve the organization's mission and vision based on the following key tenets:

- 1 **Constructive Engagement:** Having employees at all levels participate in setting work policy at differing levels. However, the extent of participation varies and is focused on joint solutions involving development with emphasis on seeking solutions for resolving issues (rather than pinpointing the guilty party) by providing opportunities to hear and respect differing opinions.
- 2 **Sharing Success:** Build a working atmosphere where everyone participates in corporate success, which will be reflected in the form of remuneration focused more on overall corporate success than individual achievements, and promoting employees to learn from practice by using the knowledge obtained from previous practice to generate replication, improvement and development of knowledge for future practice by encouraging learning exchanges within the corporations and remaining updated on changing business conditions and responding to those changes. Since everyone must achieve together, value must be given to the success of each employee, agency and business unit which will lead to the success of the entire corporation.
- 3 **Better Attitude:** Having an attitude that everything must "be better than before" in order to promote continual improvement to meet the expectations of customers, society, organizations and shareholders.



Corporate Governance

The board of directors of the company realizes the importance of good governance since it is an important mechanism that leads to an efficient, transparent and verifiable management system which, in turn, creates trust and confidence in the shareholders, investors, stakeholders and all parties involved. Having good governance will be a value adding tool that helps build the competitiveness and promotes sustainable growth of the company in the long run. The company has set good governance policy in compliance with the policy set forth by the Stock Exchange of Thailand. In the 3rd/2012 Meeting of the Board of Directors on 9 August 2012, the aforementioned policy, which covers five topics, was reviewed to assure consistency with business operations. The details are as follows:

Category 1 The Rights of Shareholders

The company is aware of and gives the importance to the basic rights of the shareholders such as the right to buy, sell and transfer shares, the right to receive the share of the company's profit, the right to receive sufficient business information, the right to take part at the meeting of the shareholders in order to vote for the appointment or removal of the directors, the appointment of the auditor and significant matters of the company such as dividend allocation, establishment or amendment of the regulations of the company, the memorandum and article of association, and the change in capital.

In addition to the basic rights as mentioned above, the company carries out the following activities that promote and facilitate the convenience for the shareholders to exercise their rights.

- Send the invitation to the shareholders' meeting at least 14 days in advance of the meeting and specify the date, time, venue and agenda, rules of the meeting, voting procedures and supporting information for the matters to be decided at the meeting completely as well as posting such information on the website of the company in Thai and English languages in order to provide the opportunity for the shareholders to have sufficient time to study the supporting information before receiving it in the document form from the company.
- The company lays out the guideline for the consideration of agenda at the annual ordinary shareholder's meeting in accordance with the principle of good governance as follow.
 - Agenda 1 Certification of the ordinary shareholder's meeting minute
 - Agenda 2 Report of the company's operation result of the previous year
 - Agenda 3 Approval of the company's financial statements for the year ended 31st December of the previous year
 - Agenda 4 Approval of the allocation of profits from operation from the previous year
 - Agenda 5 Appointment of directors to replace the directors whose terms have ended
 - Agenda 6 Approval of the directors' remuneration
 - Agenda 7 Appointment of the auditors and determination of audit fee
 - Agenda 8 Other matters by allowing the shareholders to ask important issues
- In the case where the shareholder cannot attend the meeting, the company allows the shareholder to appoint a proxy, who can be an independent director or any person, by using the power of attorney form provided together with the invitation to the meeting by the company.
- Provide the opportunity for the shareholders to send in their questions about the shareholders' meeting agenda to the directors of the company at least 20 days in advance before the meeting date via the company's website or email to the investor's relation through the information system of Stock Exchange of Thailand
- Allow the shareholders to question, comment and provide suggestions fully and freely

- The company allows the shareholders to exercise their right to attend the meeting and vote fully by holding the meeting on a working day and selecting a hotel in Bangkok and outskirt of Bangkok as the meeting venue where there are convenient modes of transportation for the shareholders to come to the meeting.
- All directors and high ranking managing executives of the company are present at the shareholders' meeting and will answer the questions from the shareholders.
- Once the meeting is concluded, the company will prepare the meeting minute with accurate and complete information and post it on the website of the company within 14 days from the meeting date for the shareholders to verify.

Category 2 The Equitable Treatment of Shareholders

The company has the policy to treat and protect the rights of each shareholder equally and fairly including those who are managing executive and non – managing executive shareholders, local or foreign shareholders, large or small shareholders by allowing them to equal basic rights.

- The company provides the opportunity for the shareholder who is unable to attend the meeting to give the power of attorney to an independent director or other person to attend the meeting and vote on the behalf of the shareholder.
- The company provides the opportunity for the shareholder to suggest the meeting agenda and nominate a director for the election at the shareholders' meeting in advance in accordance with the by-laws of the company which is distributed on the website of the company at <http://www.qtc-energy.com>. The suggestion should be made 3 months in advance of the shareholder's meeting.
- The company does not add meeting agenda without an advance notification unnecessarily. This is especially for the important agenda that the shareholder requires the time to study the information before making the decision.
- The board of directors allows the shareholder to appoint an individual director and supports the use of ballot cards for the sake of transparency and verification.
- The board of the directors establishes the preventive measures against insider trading committed by related persons including directors, managing executives, officers and employees as well as spouse and minor of such persons, who are involved with the information, and also establishes the penalty for disclosing the company information or using the information for personal gain in accordance with the policy to prevent insider trading.
- Provide the knowledge to the directors and the managing executives of the company about the duty to report the ownership of the securities in the company by themselves, spouses and minors as well as the duty to report the changes in the ownership of the investment to Securities and Exchange Commission Thailand under section 59 and the penalty provision under Securities and Exchange Act B.E. 2535.

Category 3 The Role of Stakeholders

The company gives the importance to the rights of the stakeholders and treats all stakeholders fairly with the following details.

- **Employee** : The company is aware of the importance of all employees who are part of the driving force that enables the company to continue to improve the operation in the future. Therefore, the company emphasizes the development of the potentiality, knowledge and skills of the employee constantly and considers the reward according to the ability of each employee as well as maintaining working environment that takes into consideration the quality of life and work safety. The company treats all employees equally and fairly.
- **Trading partner and creditor** : The company treats trading partners who are suppliers and creditors fairly and equally and without taking any advantage by following the trading condition and/or agreements strictly in order to improve the business relationship that will be beneficial to both parties.
- **Customer** : The company cares and is responsible for the customer by emphasizing manufacturing products that meet quality standards and are able to meet the needs of the customers, customer confidentially and by setting the appropriate prices for the customer equally.



- **Competitor** : The company acts within the good competitive framework and the law, maintains the standards applicable to the competition and avoids dishonest act with the purpose to destroy the competitors.
- **Community and society** : The company operates with the awareness of the environmental impact. The company emphasizes consciousness, responsibility and improvement on the quality of life of everyone in the community and society constantly as well as supports the activities that are beneficial to the public and not carrying out any activity that is against the law or illegal.
- The company establishes the compensation measure in the case where the stakeholders suffer from the violation of the stakeholders' lawful rights by the company in the company's business ethics manual.
- The company makes it generally known that the directors, the managing executives and employees who know the material inside information which can impact the change in the price of security must refrain from buying and selling of the company's securities during the 1 month period before the announcement of the company's operation result or before the information become public.
- The company clearly establishes the proceeding in the case where unlawful act, inaccurate financial reporting, deficient internal control or unethical act is reported. The report can be made via letter to the audit committee of the company. The company has established the whistle-blower's right protection measures.

Category 4 Disclosure and Transparency

The board of directors gives the importance to the disclosure of information that is accurate, complete and transparent including the financial information and general information as required by Securities and Exchange Commission Thailand and The Stock Exchange of Thailand as well as the information that has the material impact on the price of the security of the company and the impact on the decision making of the investors and the stakeholders of the company in order to allow everyone who is involved with the company to know the information equally. The distribution of the information to the shareholders and the public is done via channels and media available on The Stock Exchange of Thailand and the website of the company.

The board of directors is aware of the responsibility and determines to ensure that the law, rules and regulations regarding the disclosure and transparency of information is strictly followed.

- The company distributes the information in accordance with the requirement via the channel available on The Stock Exchange of Thailand, Yearly Disclosure Report (form 56-1) and Annual Report (form 56-2) as well as on the website of the company in both Thai and English languages. The information is constantly updated.
- The board of directors reports the operation result in accordance with the corporate governance policy via Yearly Disclosure Report (form 56-1), Annual Report (form 56-2) and on the website of the company.
- The board of directors prepares the report on the responsibilities of the board of directors in financial reporting together with the audit committee's report in the Annual Report (form 56-2).
- The board of directors discloses the name, roles and duties of the board of directors and the committee, the number of meetings and the frequency that each director attends the meeting every year on the Yearly Disclosure Report (form 56-1) and Annual Report (form 56-2).
- The company discloses the information on Yearly Disclosure Report (form 56-1) in accordance with the announcement of the Securities and Exchange Commission Thailand about the regulation, condition and procedure on disclosure about financial status and the operation result of the company. The information disclosed includes (1) General information (2) Risk factors (3) Business operation (4) Business operation of each product line (5) Assets used in the business operation (6) Legal dispute (7) Capital structure (8) Management (9) Internal control (10) Related transaction (11) Financial status and operation result (12) Other relating information.
- The board of directors and the managing executives disclose their security holding and the changes in their security holding in accordance with the requirement of the Securities and Exchange Commission Thailand.
- The first 4 directors and managing executives from the managing director have the duty to prepare the report on their stake and related person's stake to the president of the company and the chairman of the audit committee and

disclose the information to all directors in accordance with the Securities and Exchange Act B.E. 2551. The board of directors has the policy that requires the employees at management level and department managers to report their stakes and related person's stakes for the sake of transparency and fairness in business operation. The report is submitted to the audit committee yearly.

- The board of directors maintains the effective internal control system in order to arrive at the reasonable assurance that the accounting records are accurate, complete and sufficient for the safekeeping of assets and to discover the weakness in order to prevent material dishonest act or abnormal operation as well as establishes the audit committee which comprises of non – managing directors who have the duty to perform the audit of financial statements, related transactions and internal control system. The audit committee reports directly to the board of directors.
- The company establishes the investor relation unit for the communication with external parties including shareholders, institutional investors, general investors, analysts and governmental sectors as follow.
 - 1) Disclose important information to the public
 - 2) Disclose information that reach the public in general
 - 3) Clarify the case of rumors and news
 - 4) Disclose constructively without due cause
 - 5) Trade the security of the listed company by using internal information appropriately, sufficiently, timely, equally, transparently and fairly.
 - 6) Proceed when the trading of security of the listed company differs from the normal market condition
- The company assigns the person, who is authorized to provide such information, including the president or the managing director.
- The company assigns the contact person who is authorized to provide the information to the Stock Exchange of Thailand as follow.
 - 1) Disclosure of information on events including assets obtained/sold, related transactions, setting the date of shareholders' meeting, changes in the directors and auditor, relocation of head office, minute of shareholders' meeting, investment projects and payment/non – payment of dividend by the managing director
 - 2) Disclosure of information for the accounting period such as annual financial statement and quarterly financial reporting, Yearly Disclosure Report (form 56-1) and Annual Report (form 56-2) by the managing director
- The president or the managing director has the duty to provide the information about the management of the organization to the mass media.
- The contact person who coordinates with other units is as follow.
 - 1) For the coordination with Thai Security Depository Co., Ltd., the company secretary is the contact person.
 - 2) For the coordination with the office of Securities and Exchange Commission Thailand, the company secretary is the contact person.

Category 5 Responsibilities of the Board of Directors

5.1 The Structure of the Board of Directors

5.1.1 Composition of the Board of Directors

The structure of the board of directors comprises of directors less than 5 persons and independent directors of at least 1 out of 3 of the total directors within the board of directors but not less than 3 people. The directors are appointed at the shareholders' meeting. The term of the directorship is 3 years with unlimited number of terms. The company has 3 audit directors. Such structure of the board of directors creates check and balance of vote when considering various matters. The company requires that the president must be an independent director only.

5.1.2 Director's Qualifications

The board of directors of the company comprises of qualified individuals who have the knowledge, ability and experience at the management level from various organization. Therefore, they are able to apply the experience, knowledge and ability to develop and establish directive policies for the business operation efficiently and maximize the value to the company and the shareholders. The board of directors has an important role in establishing policies and the image of the organization as well as following up on the operation result of the management and evaluating the operation result in accordance with the plan.

5.1.3 Independent Director's Qualifications

- (1) Holding share of no more than 1 percent of the total voting shares of the company, parent company, subsidiary company, related company or juristic person of person who might have conflict of interest by including the shares held by the related persons
- (2) Not a director or used to be a director who has a managing role, an employee, officer or consultant who receives the salary or authorized person of the company who has the influence on parent company, subsidiary company, related company, subsidiary company at the same level or juristic person who might have a conflict of interest unless such person has been released from such status not less than 2 years before the application is submitted to Securities and Exchange Commission Thailand
- (3) Not a person who is related by blood or by legal registration as father, mother, spouse, siblings and child including the spouse of the child of the managing executive, major shareholders, authorized controlling persons or those nominated to be managing executives or authorized controlling persons of the company or subsidiary company
- (4) Does not have or used to have the business relationship with the company, parent company, subsidiary company, related company or juristic person who might have the conflict of interest in the way that might obstruct independent decision making. The person is not or used to be a major shareholder, director who is not an independent director, or managing executive of those who have business relationship with the company, parent company, subsidiary company, related company or juristic person who might have a conflict of interest unless such person has been released from such status not less than 2 years before the application is submitted to Securities and Exchange Commission Thailand
- (5) Is not or used to be the auditor of the company, subsidiary company, related company, or juristic person who might have a conflict of interest and not a major shareholders, director who is not an independent director, managing executive or audit partner of the company, parent company, subsidiary company, related company or juristic person who might have conflict of interest unless such person has been released from the status not less than 2 years before the application is submitted to Securities and Exchange Commission Thailand
- (6) Is not or used to be professional service provider including legal consultant or financial consultant who receives the service fee more than 2 million baht per year from the company, parent company, subsidiary, related company or juristic person who might have a conflict of interest. In the case where the professional is a juristic person, this shall include major shareholders, director who are not an independent director, managing executive or managing executive partner of the service providing entity unless such person is no longer in the status for at least 2 years before the application is submitted to Securities and Exchange Commission Thailand
- (7) Is not the appointed director who represents the directors of the company, major shareholders or the shareholders who are related to the major shareholders
- (8) Does not possess any characters that prevent giving an independent opinion on the operation of the business

- 5.1.4 The company has the policy to appoint different persons to hold the president position and the director position in order to prevent any one person to have total authority in any particular matter. The board of directors determines that role and responsibility and selects the person to hold such position.
- 5.1.5 The number of companies for each director is in accordance with the principle of good governance.
- 5.1.6 The managing director and the high ranking managing executives of the company can take the directorship of not more than 3 other companies. The approval must be obtained from the board of director of the company.
- 5.1.7 The board of director appoints a new director to fill in the remaining term of the previous director by obtaining the approval from the board of directors.
- 5.1.8 The board of director discloses the position held in other companies to the shareholders in Yearly Disclosure Report (form 56-1) and Annual Report (form 56-2).
- 5.1.9 The board of director appoints the company secretary who has the following duties and responsibilities.
 1. Prepare and maintain the following documents
 - (a) Director register
 - (b) Invitation to the directors' meeting, minutes of the board of directors' meeting, annual report of the company
 - (c) Invitation to the shareholders' meeting and the minute of shareholders' meeting
 2. Maintain the stakes reported by the directors and the managing executives
 3. Other duties required by the Securities and Exchange Commission Thailand

5.2 Sub – committee within the board of directors

The board of directors establishes the sub-committee to support the corporate governance of the company as follow.

1. The board of directors of company assigns the managing director who establishes the guideline and operation strategies in order to achieve the target set by the directors and for the smooth business operation.
2. The audit committee. There are 3 audit directors who have the specific duties and suggest the matter for consideration to the board of directors. The audit committee has the right and duties according to those set in the authorized duties of the audit committee. At least 1 audit director must have sufficient knowledge and skills in accounting to carry out the audit to achieve the credibility of the financial statements of the company.
3. The human resource and remuneration committee comprises of 2 in 3 independent directors. The president is an independent director. The committee has the duty to source and select a person for the director position in the board of directors, follow up on the preparation of the succession plan, evaluate the operation of the managing director, present remuneration policy and other benefits for the board of directors of the company, the sub-committee, the managing director and vice – managing director and revise the structure and director remuneration system, the reward rate for the directors and managing executives of the company appropriately according to the duties and responsibilities and corresponding to the operation result of the company.
4. The risk management committee. The risk management committee is responsible for overseeing the company's risk management protocol in agreement with business plans, policies and strategies.

5.3 Roles, Duties and Responsibilities of the Board of Directors

The company requires that the directors of the listed company follow the Code of Best Practices in accordance with the guideline provided by the Securities and Exchange of Thailand. The board of directors must understand and realize their roles, duties and responsibilities and shall carry out their duty in accordance with the

law, purpose and regulation of the company and the resolution of the shareholders' meeting with honesty, integrity and for the best interest of the company and shareholders. The roles, duties and responsibilities are as follow.

1. Arrangement for the yearly shareholders' meeting within 4 months after the end of the accounting period of the company
2. Arrangement for the board of directors' meeting at least every 3 months
3. Arrangement for the credible accounting system, financial reporting and financial auditing including efficient and effective internal control, internal audit and risk management
4. Arrangement for the preparation of the company's audited balance sheet and profit and loss statement as of the end of accounting period of the company and present them at the shareholders' meeting for consideration and approval
5. Establishment of policies and operation direction of the company and monitoring and supervision that the operation is carried out in accordance with the policies efficiently and effectively in order to maximize economic value and shareholders' wealth. Moreover, the scope of duties of the board of directors in the supervision that the company operates in accordance with the law regarding securities and Stock Exchange of Thailand, the announcement of Securities and Exchange Commission Thailand, requirement of the Stock Exchange of Thailand on related transactions, material assets obtained or sold or law regarding the business of the company
6. Revision, verification and approval of business expansion plan and large investment projects as well as joint venture recommended by the management
7. Following up on the operation result in accordance with the plan and budget constantly
8. Consideration on setting management structure and having the authorization to appoint the board of directors, the managing director and other committees as deem appropriate such as audit committee, human resource committee, remuneration committee as well as determination of the scope of authorization of the board of directors, the managing director and various committees. The authority within the scope must not be the authorization that allow the board of directors, the managing directors and various committees to consider and approve transactions that might result in the conflict of stakes or other conflict of interest with the company or subsidiary company (if any) unless the approval is in accordance with the policies and requirements that the board of directors has considered and approved.
9. The board of director might grant the authority to a director or many directors or other persons to act on behalf of the board of directors under the control of the board of directors or grant the authority as the board of directors sees appropriate and within the period that the board of director sees appropriate. The board of directors might revoke, remove, change or revise such power of attorney as it sees fit. The power of attorney must not be in such a way that allow the person to consider and approve the transaction that the authorized person or persons who might have conflict of interest in anyway with the company or the subsidiary company (if any) unless the approval is for normal business transaction and follow the general trading condition or the policies and requirements that the board of directors has considered and approved under the regulation, condition and procedures regarding related transaction and the significant assets obtained or sold of the listed company in accordance with the announcement of Securities and/or The Stock Exchange of Thailand and/or other announcement of related units.
10. The board of directors establishes the corporate governance policy in writing, evaluates the practice in accordance with the policy, revises the policy at least 1 times per year and supports the preparation of business code of ethics in writing for the managing director and every employee to understand the ethical standard that the company applies in the business operation and follows up on the practice of the code of ethics strictly as well as sets risk management policy and evaluates the risk management at least 1 time per year.

5.4 The Board of Directors' Meeting

The board of directors carries out the duties through the board of directors meeting as follow.

- 1) The company sets the schedule for the board of directors' meeting for the year in advance and informs each director.
- 2) The board of directors arranges for the board of directors' meeting at least once every 3 months and might have special meetings occasionally as necessary. Each meeting will have clear agendas and the invitation to the meeting including the details will be sent 7 days in advance in order to allow the time for the directors to study the information before the meeting. The meeting minute will be prepared in writing and the minute certified by the board of director is maintained for further checking by the board of directors and related person.
- 3) The president or the managing director chooses the agenda to be discussed at the meeting. Each director has the freedom to suggest meeting agenda.
- 4) The president allocates sufficient meeting time for the management to present the agenda and the directors to discuss important issue prudently. The meeting minute is prepared in writing and maintained for the checking by the directors and the related person.
- 5) The board of directors encourages the high ranking executives to attend the meeting with the board of directors in order to provide further details as directly related to them and for the board of directors to get to know them for the consideration of the succession plan.
- 6) The company has the policy that allows non – managing executives to carry out their own meeting in order to discuss about the management of various issues of interest without the attendance of the management and inform the meeting result to the board of directors.
- 7) The board of directors assigns the secretary to the board of director to prepare meeting agenda, invitation to the meeting, facilitate and manage the meeting, maintain meeting related documents and prepare and submit the meeting minute to the chairman of the directors before the meeting to certify the meeting minute.



In 2011, the company held five board of directors' meetings and in 2012, four meetings with the following details on the attendance of each director:

Shareholder Name	No. of Meeting Attendances/No. of Meetings for 2011	No. of Meeting Attendances/No. of Meetings for 2012	Remarks
1. Prof. Dr. Somchob Chaiyavej	5/5	4/4	
2. Mr. Poonphiphat Tantanasin	5/5	4/4	
3. Mr. Nipon Jaisin	5/5	4/4	Mr. Nipon Jaisin's resignation from the board became effective as of 1 June 2012.
4. Mr. Siripong Boontam	5/5	4/4	
5. Mr. Padetpai Meekun-iam1	5/5	4/4	
6. Mr. Pholrach Piathanom	5/5	4/4	
7. Mr. Natthaphon Lilawatthananan	5/5	4/4	
8. Mr. Nakorn Phraprasert	5/5	4/4	

5.5 Self – Evaluation of the Board of Directors

The board of directors requires the evaluation on the operation of the board of directors annually at least 1 time per year in order to learn about the problems and find out the solutions in accordance with the good corporate governance.

5.6 Remuneration

The company establishes the remuneration of the directors and the managing executives at the appropriate level and at the rate sufficient to retain the quality directors and the managing executives without paying too high remuneration and competitive with the companies in the same industry. The factors to be considered include experience, duties, scope of roles and responsibilities. The payment of directors' remuneration must be approved at the shareholders' meeting of the company while the managing executives' remuneration will follow the principle and the policy that the board of directors has established based on the duties and responsibilities and operation result of each executive in addition to the operation result of the company. The directors of each committee will be paid based on the roles and responsibilities.

5.7 The development of Directors and Managing Executives

- 5.7.1 The board of directors has the policy to encourage and facilitate training and provide knowledge to those who are involved with the governance system of the company, including the directors, the audit directors, managing executives and the company secretary, in order to constantly improve the operation. The trainings include the courses provided by Thai Institute of Directors Association : IOD.
- 5.7.2 The company prepares the documents and information that are useful for the new directors in carrying out their duties as well as business manual and business guideline manual.
- 5.7.3 The company has a human resource plan to ensure that the selection of personnel who will take the important managing position at each level is appropriate and transparent and to ensure that the managing executives of the company can perform professionally and independently of the major shareholders or other persons. The board of directors of the company considers and revises such plan annually. The managing executives who are selected will receive the training under the individual development plan in order to be ready for the future promotion.

Internal Control



In the 1/2556 annual meeting of the company's board of directors on 21 February 2013 with all three auditing directors also in attendance at the meeting, the board of directors assessed the adequacy of the company's internal controls, by asking the executives for information and summarizing from the assessment that various aspects of the company's internal controls comprise the following five parts:

1. Organizational Control and Environmental Measures
2. Risk Management Measures
3. Management Control Activities
4. Information and Communication Measures
5. Monitoring

The board of directors holds the view that the internal control system concerned with transactions with the major shareholders, directors, executives or people involved with the aforementioned individuals (according to Clause 3 from 3.3 to 3.7 of the evaluation form) are already sufficient for internal control. As for the other items, the board of directors holds the view that the company also has adequate and proper internal control.

Performance Associated with the Company's Internal Control

The company has an Audit Committee to perform the duty of auditing the company, an internal control system and suitably effective internal auditing, including examinations of the company's operations to assure compliance with the laws governing securities and securities markets, the regulations of the Stock Exchange of Thailand and laws associated with the company's business. The Auditing Committee meets together at least once quarterly in order to consider and take action toward having an accurate financial report with complete and sufficient disclosure of information, including the consideration of related transactions or potential conflicts of interest for compliance with the law and the regulations of the Capital Market Supervisory Board and the Stock Exchange of Thailand. Accounting auditors attend these meetings in order to provide observations from the company's accounting audits.

At present, the company has no Internal Audit Department of its own. The company has hired P & L Internal Audit Co., Ltd. to perform the duty of auditing the company's internal controls since the end of 2007. The aforementioned internal auditors have prepared reports on the findings of the assessment and audit of the company's internal control system, and continually presented the results directly to the Auditing Committee every quarter. The company has always made corrections and improvements in the operating systems of various departments according to the recommendations of the internal auditors.

Related Party Transactions 2012

1.1 Type of Relationship

QTC Energy Plc, the “Company”, has related transactions with persons with potential conflicts of interest consisting of shareholders and/or company executives. A related company refers to a company with persons posing potential conflicts of interest and who are related to the aforementioned executives and shareholders of the company. Relationship details can be summarized as follows:

Persons With Potential Conflicts of Interest	Type of Relationship
QTC Service Chiangmai Co., Ltd.	Mrs. Sasipim Wongkham is a director with authority to sign for the company and holds 99.94% of QTC Chiangmai's shares. She is the younger sister of Mr. Poonphiphat, who is also the chairman of the Board of Directors. The former wife and children of Mr. Poonphiphat also hold 64.09% of the company's shares altogether.
SMI Metal Work Co., Ltd.	Mr. Thitipat Techapiboonchai is a director with signatory authority to sign on behalf of the company and holding 100% shares of SMI Metal Work. He is related to Miss Boonpa Ruddist, who is the Managing Director.
Mr. Poonphiphat Tantanasin	Chairman of the Board of Directors and Managing Director and former wife and children of Mr. Poonphiphat also hold 64.09% of the company's shares altogether.
Mrs. Sasipim Wongkham	The younger sister of Mr. Poonphiphat, who is also the company's Chairman of the Board of Directors. The former wife and child of Mr. Poonphiphat also hold 64.09% of the company's shares altogether.
Mrs. Alisara Charoenvanich	A major shareholder holding 37,696,000 shares, or 18.85% of outstanding shares, and the former wife of Mr. Poonphiphat Tantanasin.

1.2 Related Transaction Details

In 2011 and 2012, the company had related transactions with persons posing potential conflicts of interest according to the following details:

(1) Product and Service Sales

Persons With Potential Conflicts of Interest	Transaction Type	Transaction Value (million baht)		Transaction Necessity and Rationale
		2011	2012	
QTC Service Chiangmai Co., Ltd. (QTC Chiangmai), Electrical System Service Provider	Product and service sales to trade debtors	11.04 1.91	5.28 0.23	The company sells transformers and materials that are parts of the transformers such as transformer oil, low voltage terminal lugs, gaskets and ceramic cups. The company also repairs transformers for QTC Chiangmai, which is the company's agent. The product price sold to QTC Chiangmai at a discounted price equal to the discount given the company's other agents, and trading terms are also the same as those given to other agents.

Persons With Potential Conflicts of Interest	Transaction Type	Transaction Value (million baht)		Transaction Necessity and Rationale
		2011	2012	
				The Audit Committee deems the aforementioned product sales to be concurrent with the company's normal and reasonable trade transactions.

(2) Sales and Management Expenditures

Persons With Potential Conflicts of Interest	Transaction Type	Transaction Value (million baht)		Transaction Necessity and Rationale
		2011	2012	
QTC Service Chiangmai Co., Ltd. (QTC Chiangmai) , Electrical System Service Provider	Product and service purchases from trade creditors	0.018 -	0.004	These are expenditures incurred in the company's contracting with QTC Chiangmai to provide services to the company's customers in Chiangmai/ nearby provinces, e.g., transformer delivery fees, transformer inspection fees, transformer repair fees and transformer lifting cranes because the workload of the company's trucks or mechanics is at maximum capacity and the customers cannot be served. QTC Chiangmai, however, can service customers with speed and reliability. Furthermore, the service fees charged by QTC Chiangmai are comparable to actual costs from the company's service provision and/or comparable to the service fees incurred in outsourcing to other contractors. The Audit Committee deems the aforementioned transactions as necessary and reasonable and the service rates charged between one another are suitable.
SMI Metal Work Co., Ltd. Manufacturer of transformer bodies and covers.	Product and service purchases from trade creditors	3.03 -	2.56 -	The company purchases transformer bodies and covers from SMI Metal Work at prices comparable to the prices of other companies The Audit Committee has deemed the aforementioned transactions to be necessary and reasonable and the service rates charged between one another are suitable.

(3) Loan Guarantee Transactions

Persons With Potential Conflicts of Interest	Transaction Type	Transaction Value (million baht)		Transaction Necessity and Rationale
		On 31/12/2011	On 31/12/2012	
Mr. Poonhiphat Tantanasin	Loan limit for loan withdrawal balance	679.14 184.45	- -	Mr. Poonhiphat Tantanasin guaranteed the loan from a commercial bank without charging the company fees for the loan guarantee. The Audit Committee deems Mr. Poonhiphat's guarantee as having occurred as a necessity and in the company's interests to obtain a loan application from a commercial bank to be used in the company's business operations as circulating capital.



Audit Committee Report

The Audit Committee of QTC Energy Plc. consists of Mr. Padetpai Meekun-iam, as the Chairperson, Mr. Nattharphon Lilawattananun and Mr. Ratchata Piatanom, as the Audit Directors. The Audit Committee directors' scope and responsibility are compliant with the charter of the Audit Committee, namely, to oversee that the company's finances in compliance with generally accepted accounting standards and principles, to audit the company's operations to assure compliance with good governance principles with efficient internal control and compliance with related requirements and laws, and to handle cases arising due to conflicts of interest between the company and related individuals. In 2012, the Audit Committee held four meetings. The main issues were as follows:

1. The Audit Committee audited quarterly financial statements and the 2012 financial statement with cooperation of the management and auditors in order to assure that the company's financial reports were prepared in compliance with generally accepted accounting standards and with sufficient, complete and credible information disclosed in the appendix to the financial statement with points of observation and acknowledgement of the problem-solving guidelines in the interests of the company.
2. The Audit Committee considered the disclosure of data on related transactions and transactions related to the company, which have been deemed by the Audit Committee to be accurate, complete and sufficient with practice in compliance with the business terms and criteria set forth by the Stock Exchange of Thailand.
3. The Audit Committee supports and values corporate governance principles in order to assure good governance in compliance with the criteria set forth by the SET for the purpose of transparency and ethical business practice leading to confidence for shareholders, investors, customers, trade partners and all parties concerned.
4. The Audit Committee monitors internal audit so work operations are carried out independently. A company named "P & L Internal Audit", which is an outsource company providing internal audit services, is contracted as the company's internal auditor. The Audit Committee is the party considering annual internal audit planning, reporting on internal audit results with follow-up on internal audit results with the management and the provision of instructions to the internal auditors in order to assure that the annual internal audit plan is carried out efficiently and effectively. The annual internal audit findings found no significant errors concerning internal control, and other issues already discovered have been corrected by the management.
5. The Audit Committee assesses the internal control system in compliance with the guidelines set forth by the Security Exchange Commission covering the control of operational, financial and legal compliance. The Audit Committee had deemed the company's internal control to be sufficient and effective.
6. The Audit Committee selected, appointed and proposed remuneration for accounting auditors for 2012. The Audit Committee proposed that the Board of Directors appoint Mr. Somkit Tiatrakul, Auditor's License No. 2785 and/or Mrs. Sumalee Chokdee-anan, Auditor's License No. 3322 and/or Mr. Kosol Yaemleemul, Auditor's License No. 4578 from Grant Thornton Co., Ltd. as the company's auditors. A total remuneration of 750,000 baht was proposed to the general shareholders' meeting for approval.

The Audit Committee has performed its duties with prudence and independence, having rendered straightforward opinions without limitations in the data received. The Audit Committee has received good cooperation from the company and reported to the Board of Directors on every occasion.

On behalf of the Audit Committee



(Mr. Padetpai Meekun-iam)

Audit Committee Chairman

19 February 2013



Board of Directors' Responsibility on Financial Reporting

Dear Shareholders,

The board of directors is responsible for the consolidated financial statements of QTC Energy Public Company Limited, including the disclosure of financial information appearing in the company's annual report and financial statements. The board deems the company's financial statement for the year ending 31 December 2012 as having been prepared according to generally accepted accounting principles with the use of consistent accounting policy suitable according to the principles of caution and practice with reasonable discretion and estimation in the preparation. In addition, data has been adequately disclosed in the remarks accompanying the financial statements. The aforementioned financial statements have passed unbiased auditing and comments from the independent auditors.

The board supports the company in conducting businesses by good supervision with continual board structure development to promote good governance, so the company's business operations are with efficient, transparent and credible. The board has appointed an Audit Committee comprised of independent directors responsible for reviewing financial reports, internal control systems and internal auditing. The Audit Committee's comments on the aforementioned issues are presented in the Audit Committee's report presented in the annual report.

It is the board's view that the company's overall internal control system is adequate and appropriate, as well as able to instill reasonable confidence and credibility for the company's financial statements for the year ending 31 December 2012.



(Assoc. Prof. Dr. Somchob Chaiyavej)

Chairman of the Board

Report of Independent Auditor

To the Shareholders of QTC Energy Public Company Limited

I have audited the accompanying financial statements of QTC Energy Public Company Limited comprising of the statement of financial position as at 31 December 2012, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, including notes disclosure summarizing significant accounting policies and others.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and the fair presentation of these financial statements in accordance with Thai Financial Reporting Standards. This responsibility includes the establishment of necessary internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

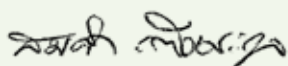
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I perform the audit under ethical requirements which include planning and performing procedures to obtain reasonable, but not absolute, assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidences for the amounts and disclosures in the financial statements. The selected audit procedures depend on the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. As part of risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation and disclosure.

I believe that the audit evidences that I have obtained are sufficient and appropriate to provide a reasonable basis for my opinion on the financial statements.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position as at 31 December 2012 and the results of operations and cash flows for the year then ended of QTC Energy Public Company Limited in accordance with Thai Financial Reporting Standards.



Mr. Somckid Tiatragul

Certified Public Accountant

Registration No. 2785

Bangkok, Thailand

21 February 2013

Statements of Financial Position

AS AT 31 DECEMBER 2012 AND 2011

ASSETS

		Baht	
	Notes	2012	2011
CURRENT ASSETS			
Cash and cash equivalents	5	43,537,796	46,886,072
Temporary investment	6	35,291,304	52,101,041
Trade accounts receivable - general customers - net	7	258,007,101	115,269,873
- related companies	7, 8	251,397	1,904,814
Inventories - net	9	176,245,505	147,820,054
Refundable value added tax		3,416,824	-
Other current assets		7,942,745	3,458,474
Total Current Assets		524,692,672	367,440,328
NON - CURRENT ASSETS			
Restricted deposits with bank		-	539,963
Other investment - at cost		50,000	50,000
Property, plant and equipment - net	10	259,367,966	197,510,174
Computer software - net	11	2,862,771	4,730,908
Deposits		-	168,460
Total Non - Current Assets		262,280,737	202,999,505
TOTAL ASSETS		786,973,409	570,439,833

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

AS AT 31 DECEMBER 2012 AND 2011

LIABILITIES AND SHAREHOLDERS' EQUITY

		Baht	
	Notes	2012	2011
CURRENT LIABILITIES			
Short - term loans from banks	12	137,237,545	64,459,541
Trade accounts payable		77,442,700	60,958,299
Other payables		3,307,809	4,683,370
Current portion of			
Long - term loans	13	14,072,000	9,895,349
Liabilities under hire - purchase agreements	14	3,078,827	1,742,609
Accrued income tax	15	30,561,299	19,526,408
Accrued expenses	16	13,126,125	13,445,892
Deposits from customers for goods		3,421,633	5,642,975
Other current liabilities	17	8,871,685	6,500,521
Total Current Liabilities		291,119,623	186,854,964
NON - CURRENT LIABILITIES			
Long - term loans - net	13	26,696,859	260,000
Liabilities under hire - purchase agreements - net	14	6,113,993	1,346,459
Liabilities under employee benefits obligation	18	2,126,227	1,948,044
Total Non - Current Liabilities		34,937,079	3,554,503
TOTAL LIABILITIES		326,056,702	190,409,467

The accompanying notes form an integral part of these financial statements.

QTC ENERGY PUBLIC COMPANY LIMITED

Statements of Financial Position

AS AT 31 DECEMBER 2012 AND 2011

LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)

		Baht	
	Notes	2012	2011
SHAREHOLDERS' EQUITY			
Share capital : common share, Baht 1 par value			
Registered 200,000,000 shares	19	200,000,000	200,000,000
Issued and paid - up 200,000,000 shares		200,000,000	200,000,000
Premium on common shares		45,939,064	45,939,064
Retained earnings			
Appropriated for legal reserve	20	20,000,000	20,000,000
Unappropriated		194,977,643	114,091,302
SHAREHOLDERS' EQUITY - NET		460,916,707	380,030,366
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		786,973,409	570,439,833

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

	Notes	Baht	
		2012	2011
Income from sales and services			
Sales	8	940,352,086	700,861,733
Service income	8	19,156,003	13,599,862
Total income from sales and services		959,508,089	714,461,595
Cost of sales and services			
Cost of sales	8, 22	(687,400,281)	(500,167,286)
Cost of services	22	(7,861,055)	(6,002,446)
Total cost of sales and services		(695,261,336)	(506,169,732)
GROSS PROFIT		264,246,753	208,291,863
Other income		10,196,035	3,332,528
Income before expenses		274,442,788	211,624,391
Selling expenses	8, 22	(37,444,002)	(26,177,657)
Administrative expenses	22	(73,833,093)	(60,884,894)
Total expenses		(111,277,095)	(87,062,551)
Income before financial cost and income tax		163,165,693	124,561,840
Financial cost		(7,725,934)	(7,204,450)
Income before income tax		155,439,759	117,357,390
Income tax	15	(36,559,422)	(33,293,167)
NET INCOME FOR THE YEAR		118,880,337	84,064,223
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		118,880,337	84,064,223
Basic earnings per share			
Net income (Baht per share)		0.59	0.49
Weighted average number of common shares (share)		200,000,000	171,917,808

The accompanying notes form an integral part of these financial statements.

Statements Of Changes In Shareholders' Equity

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

	Notes	Baht			
		Issued and fully Paid - up share capital	Premium on common shares	Retained Earnings	
				Legal reserve	Unappropriated
Balance as at 1 January 2011		150,000,000	-	9,834,496	62,933,600
Dividend payment	21	-	-	-	(21,000,000)
Appropriated for legal reserve		-	-	10,165,504	(10,165,504)
Share capital increment	19	50,000,000	45,939,064	-	-
Cumulative effect of change in accounting policy for employee benefits obligation	18	-	-	-	(1,741,017)
Total comprehensive income for the year		-	-	-	84,064,223
Balance as at 31 December 2011		200,000,000	45,939,064	20,000,000	114,091,302
Dividend payment	21	-	-	-	(37,993,996)
Total comprehensive income for the year		-	-	-	118,880,337
Balance as at 31 December 2012		200,000,000	45,939,064	20,000,000	194,977,643
					380,030,366
					(37,993,996)
					118,880,337
					460,916,707

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

	Baht	
	2012	2011
Cash flows from operating activities :		
Income before income tax	155,439,759	117,357,390
Adjustments to reconcile income before income tax to net cash provided from (used in) operating activities :		
Depreciation and amortization	27,432,260	24,283,156
Allowance for doubtful account - net	2,651,800	2,207,868
Allowance for inventory obsolescence and decline value of inventories - net	512,419	1,524,790
Gain from sales of assets	(2,330,090)	(596,443)
Unrealized loss (gain) from exchange rate	(1,593,884)	342,854
Provision for employee benefits obligation - net	90,710	204,286
Interest expense	7,725,934	7,204,450
Income from operations before changes in operating assets and liabilities :	189,928,908	152,528,351
Decrease (Increase) in operating assets :		
Trade accounts receivable - general customers	(145,389,028)	(64,169,389)
Trade accounts receivable - related companies	1,653,417	588,412
Inventories	(28,937,870)	(63,471,304)
Refundable value added tax	(3,416,824)	-
Other current assets	(4,484,271)	2,078,203
Deposits	168,460	-
Increase (Decrease) in operating liabilities :		
Trade accounts payable	16,484,401	33,695,689
Other payable	(1,375,561)	-
Accrued expenses	(319,767)	914,328
Deposits from customers for goods	(2,221,342)	3,684,990
Other current liabilities	2,371,164	(4,137,839)
Employee benefits paid	-	(83,630)
Cash provided from operations	24,461,687	61,627,811
Interest paid	(7,638,461)	(7,118,079)
Income tax paid	(25,524,531)	(24,138,122)
Net cash provided from (used in) operating activities	(8,701,305)	30,371,610

The accompanying notes form an integral part of these financial statements.

QTC ENERGY PUBLIC COMPANY LIMITED

Statements of Cash Flows

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

	Baht	
	2012	2011
Cash flows from investing activities:		
Decrease (Increase) in restricted deposits with bank	539,963	(539,963)
Decrease (Increase) in temporary investment	16,809,737	(52,101,041)
Proceeds from disposal of fixed assets	2,339,958	665,000
Payment for purchasing assets and down payment	(78,386,634)	(61,421,035)
Net cash used in investing activities	(58,696,976)	(113,397,039)
Cash flows from financing activities:		
Increase in short - term loan from bank	74,371,888	5,655,502
Increase in long - term loans	46,270,859	9,332,821
Repayments of long - term loans	(15,657,349)	(5,034,000)
Repayments for liabilities under hire - purchase agreements	(2,941,397)	(2,216,402)
Proceeds from increament share capital	-	95,939,064
Dividend paid	(37,993,996)	(21,000,000)
Net cash provided from financing activities	64,050,005	82,676,985
Net decrease in cash and cash equivalents	(3,348,276)	(348,444)
Cash and cash equivalents at beginning of year	46,886,072	47,234,516
Cash and cash equivalents at end of year	43,537,796	46,886,072

Supplemental disclosures for cash flows information

Non - cash item

For the year ended 31 December 2012

The Company acquired vechicles with total cost of Baht 12.39 million of which Baht 9.03 million will be paid by installments under hire - purchase agreements.

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements

AS AT 31 DECEMBER 2012 AND 2011

1. GENERAL INFORMATION

QTC Energy Public Company Limited was incorporated as a limited company under The Civil and Commercial Code of Thailand on 9 June 2003. The Company registered the change of its status to a Public Company Limited and the change of its name to “QTC Energy Public Company Limited” on 19 August 2010, and the Company’s shares had been approved for trading in “MAI” of the Stock Exchange of Thailand (SET) on 28 July 2011. The Company is engaged in the manufacture, distribute and maintenances of electrical transformers. The Company’s registered head office is located at 2/2 Krungthep Kritha Soi 8 Yak 5, Krungthep Kritha Road, Huamark, Bangkok, with a branch at 149 Moo 2 Mapyangporn Sub District, Ploukdaeng District, Rayong.

2. BASIS OF FINANCIAL STATEMENT PREPARATION

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles issued under the Accounting Act B.E. 2543, and accounting standards issued under Accounting Profession Act B.E. 2547, and the regulations promulgated by the Securities and Exchange Commission and the Securities Exchange of Thailand concerning the preparation and the disclosure of financial information, under the Securities and Exchange Act B.E. 2535. The financial statements have been prepared on a historical cost basis except as, otherwise, disclosed specifically.

The financial statements are officially prepared in Thai language in accordance with statutory requirement with accounting standards enumerated under the Accounting Profession Act B.E. 2547. The translation of these statutory financial statements to other language must be based on the Thai financial report.

During the years 2010 and 2011, the Federation of Accounting Professions has announced the new and amendments to some accounting standards and financial reporting standards, which are effective for the accounting periods beginning on or after 1 January 2011 and 1 January 2013. The Company has applied those standards which are effective for the accounting periods beginning on or after 1 January 2011 in this financial statements.

However, effective 1 January 2013, the Company has to apply Thai Accounting Standard No. 12 “Income Taxes” which impact the financial statements for the year 2013 by increasing assets and net income from recording deferred income tax assets. The Company has to restate the financial statements for the year 2012 for comparison with the financial statements for the year 2013. The management is presently considering the potential impact of adopting and initial application of such new accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue and expense recognition

Sales are recognized when delivery has taken place and the transfer of risks and rewards has been completed, excluding value added tax and discounted.

Service income, excluding value added tax and discounted, is recognized when the services has been rendered.

Other income and expenses are recognized on an accrual basis.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid cash in banks (which do not have restriction of usage) that are readily convertible to cash on maturity date with insignificant risk of change in value.

Related parties

Related parties comprise enterprises and individuals that control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and directing the Company's operations.

Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at invoice amount net of allowance for doubtful accounts (if any). The Company provides allowance for doubtful accounts equal to the estimated collection losses that may incur in the collection process. The estimated losses are based on historical collection experiences coupled with a review of the current status of receivables.

Inventories

Inventories are valued at the lower of cost (specific method) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of the business less the marginal cost to complete (for work in process) and other estimated costs necessary to make the sale.

Cost of purchase consist of purchasing prices and other related direct cost, excluding discounts and allowances (if any).

Cost of finish goods and work in process consist of raw materials, direct labor, other direct expenses and overhead, allocated based on the production process.

The Company sets up allowance for decline value of inventories (if any), based on their current status, slow – moving and defective inventories.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset that bring the assets to the location and condition necessary for its intended use. Plant and equipment are presented in the statements of financial position at costs less accumulated depreciation. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain/loss resulting from their disposals is included in the statements of comprehensive income.

The Company depreciates its plant and equipment by the straight - line method, over the estimated useful lives of the assets based on the segregation of components of assets, if each part is significant with different useful lives. Estimated useful lives of the assets are as follows :

Building	20 years
Furniture, fixtures and office equipment	5 years
Machine and factory equipment	10 and 5 years
Vehicles	5 years

No depreciation is made for land, building in progress, and machine and equipment under installation.

Expenditure for additions, renewals and betterment are capitalized. Repair and maintenance costs are recognized as expenses when incurred.

Computer software

Computer software is presented at cost less accumulated amortization. Amortization is calculated by reference to cost on a straight-line basis over the estimated period of 5 years. The computer software will be adjusted when there is an indication of impairment.

Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with the Revenue Code.

Employee benefits

Salaries, wages, bonuses, and contributions to the social security fund and provident fund, are recognized as expenses on an accrual basis.

Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a contributory provident fund plan whereby monthly contributions are made by employees and by the Company. The fund's assets are held in a separate trust fund.

The Company's contributions are recognised as expenses when incurred.

Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments for employees upon retirement under the Labor Law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by actuary, using the projected unit credit method.

Segment of financial information

Segment of information is presented in respect of the Company's businesses. The primary format, geographical segments, is based on the Company management and internal reporting structure.

Basic earnings per share

Basic earnings per share is determined by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

Dividend payment

Dividend payment is recorded in the financial statements in the period in which they are approved by the Shareholders or Board of Directors of the Company.

Leases

Leases of equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments or the present value of the lease payments, whichever is lower. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding balance. The lease payment obligation under the lease agreement, net of financial interest payment, is recorded as liability under finance lease. The interest element of the finance charge is charged to operations over the lease period. The equipment acquired under finance leasing contract is depreciated over the useful life of the asset. Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to statements of comprehensive income on a straight – line basis over the period of the lease. When an operating lease is terminated before expiry date of the lease period, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Foreign currency transactions

Foreign currency transactions during the year are translated into Baht at the exchange rate on transaction dates. The balance of foreign currency monetary assets and liabilities at the date of the statements of financial position are translated into Baht at the rate prevailing at that date. Exchange gains or losses are included in the determining statement of comprehensive income.

Use of accounting estimates

The preparation of financial statements in conformity with TAS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Accordingly, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Provisions for liabilities and expenses, and contingent assets

Provisions are recognized when the Company has present legal or constructive obligations as a result of past events with probable outflow of resources to settle the obligation, and where a reliable estimated of the amount can be made. The contingent assets will be recognized as separate assets only when the realization is virtually received.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGEMENT AND CAPITAL RISK MANAGEMENT

4.1 Critical accounting estimates, assumption and judgments

4.1.1 Impairment of trade accounts receivables

The Company sets an allowance for doubtful accounts to reflect impairment of trade accounts receivable relating to estimated losses resulting from the inability of customers to make required payments. The allowance is based on consideration of historical collection experience couple with a review of outstanding receivables at the closing date.

4.1.2 Allowance for obsolete, slow-moving and defective inventories

The Company maintains an allowance for obsolete, slow-moving and defective inventories (if any) to reflect impairment of inventories. The allowance is based on the consideration of inventory turnovers and the comparison with market value.

4.1.3 Plant, equipment and computer software

Management determines the estimated useful lives and residual values of the Company's plant, equipment and computer software. Management will revise the depreciation charge where useful lives and residual values previously estimated have changed or subject to be written down for their technical obsolescence or if they are no longer in used.

4.1.4 Impairment of assets

The Company considers allowances for impairment of assets when there is an indication that an asset may be impaired. When there has been a significant decline in the fair value of asset, the management will determine the estimated recoverable amount.

4.2 Capital risk management

The Company's objectives in the management of capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends payment for shareholders, return capital, issue new shares, or selling assets to reduce debts.

5. CASH AND CASH EQUIVALENTS

	Baht	
	2012	2011
Cash on hand	160,000	160,000
Cash at banks		
- Current account	14,013,476	24,546,097
- Saving deposits	29,364,320	22,179,975
Total	43,537,796	46,886,072

During the year 2012, saving deposits with bank bear interest at 0.75 - 0.875 percent per annum (2011 : interest rates ranged 0.75 - 0.875 percent per annum).

6. TEMPORARY INVESTMENT

	Baht
Balance as at 1 January 2012	52,101,041
<u>Add</u> Additional investment during the period	85,000,000
<u>Less</u> Disposal of investment during the period	(101,809,737)
Adjustment for unrealized gain from change in value of investment	-
Balance as at 31 December 2012	<u>35,291,304</u>

The Company has temporarily invested in The Krung Thai Sa-Som-Sub Fund K51 (KTSS: K51) which yields more return than general saving deposits. The said investment has no any restriction for redemption.

7. TRADE ACCOUNTS RECEIVABLE – NET

The aging of outstanding trade accounts receivable balance as at 31 December 2012 and 2011 are as follows:

	Baht	
	2012	2011
<u>Trade accounts receivable – general customers</u>		
Not yet due	160,733,608	91,482,837
Past due :		
Less than 3 months	92,251,791	14,293,789
3 - 6 months	1,798,145	4,111,827
6 - 12 months	693,999	4,604,019
Over 12 months	6,637,171	5,501,201
Total	<u>262,114,714</u>	<u>119,993,673</u>
<u>Less</u> Allowance for doubtful accounts	(4,107,613)	(4,723,800)
Net	<u>258,007,101</u>	<u>115,269,873</u>
 <u>Trade accounts receivable – related companies</u>		
Not yet due	233,527	1,904,814
Past due :		
Less than 3 months	17,870	-
3 - 6 months	-	-
6 - 12 months	-	-
Over 12 months	-	-
Total	<u>251,397</u>	<u>1,904,814</u>

As at 31 December 2012 and 2011, the Company has trade accounts receivable overdue more than 360 days with no allowance for doubtful account totalling Baht 2.53 million and Baht 0.78 million, respectively. Management believes that the Company is able to collect all such receivables. The Company therefore, does not set up allowance for doubtful accounts for them.

8. RELATED PARTY TRANSACTIONS

The Company had certain transactions with its related companies which are related through common shareholding and/or management. Such transactions are made under the conditions and terms of general trade practice with prices approximate the market.

The Company has significant transactions with related companies for the years ended 31 December 2012 and 2011 as follows :

	Pricing Policy	Baht	
		2012	2011
Revenue from sales	Prices are comparable to the distributors	5,276,250	11,028,500
Revenue from sales	Market prices	168,446	124,750
Revenue from service	Market prices	-	6,000
Purchase of raw materials	Market prices	2,561,954	3,034,263
Selling expenses	Agreed price	4,000	18,000
<u>Key management personnel compensation</u>			
Short - term employee benefits		17,965,018	18,213,407
Liabilities under employee benefits obligation		170,349	184,410
Total		18,135,367	18,397,817

As at 31 December 2012 and 2011, the outstanding balances of the above transactions are as follow :

		Baht	
	Relationship	2012	2011
<u>Trade accounts receivable – related companies</u>			
Q.T.C. Services Chiang Mai Co., Ltd.	Family member of the director	233,527	1,904,814
SMI Metalwork Co., Ltd.	Family member of the director	17,869	-
<u>Key management personnel compensation</u>			
Liabilities for post employment benefits		1,482,019	1,453,557

9. INVENTORIES – NET

	Baht	
	2012	2011
Raw materials	100,193,467	72,260,959
Work in process	11,452,243	13,978,849
Finished goods	57,215,471	53,402,302
Finished goods in transit	10,512,644	10,793,845
Total	179,373,825	150,435,955
<u>Less</u> Allowance for obsolete and decline value of inventories	(3,128,320)	(2,615,901)
Inventories – net	176,245,505	147,820,054

The Company has movements in allowance for inventories obsolescence and decline value of inventories for the year ended 31 December 2012 as follows :

	Baht
Balance as at 1 January 2012	2,615,901
<u>Add</u> Allowance for obsolete and decline value of inventories	512,419
Balance as at 31 December 2012	3,128,320

10. PROPERTY, PLANT AND EQUIPMENT – NET

	Baht			
	2011	Increase	Decrease	Transfer In (Out)
Cost				
Land	31,089,980	-	-	-
Land improvement	2,436,217	367,174	-	-
Buildings	74,692,908	4,657,910	-	59,344,793
Machine and factory equipment	122,420,662	7,687,865	(76,329)	13,205,574
Furniture, fixtures and offices equipment	20,642,021	10,736,400	(1,396,529)	2,546,654
Vehicles	21,169,507	12,442,769	(6,545,092)	55,000
Building in progress	29,315,278	25,409,355	-	(54,702,633)
Machine and equipment under installation	9,211,737	26,530,297	(253,560)	(20,449,388)
Total	310,978,310	87,831,770	(8,271,510)	-

Baht				
	2011	Increase	Decrease	Transfer In (Out)
2012				
Accumulated depreciation				
Buildings	16,976,386	5,028,209	-	-
Machine and factory equipment	69,504,896	12,020,171	(69,801)	-
Furniture, fixtures and offices equipment	10,926,335	4,878,377	(1,211,643)	-
Vehicles	16,060,519	3,597,566	(6,540,411)	-
Total	113,468,136	25,524,323	(7,821,855)	-
Net book value	197,510,174			259,367,966
Allocation of depreciation for the year :				
Cost of sales and services	15,275,827			15,049,063
Selling and administrative expenses	7,133,997			10,475,260
Total	22,409,824			25,524,323

Land and buildings and a partial of machinery are mortgaged as collaterals for credit facilities with a financial institution as mentioned in Notes 12 and 13.

As at 31 December 2012 and 2011, the costs of fully depreciated assets which are remained in use amounted to Baht 15.28 million and Baht 17.81 million, respectively.

11. COMPUTER SOFTWARE – NET

Baht				
	2011	Increase	Decrease	2012
Computer software	9,506,887	39,800	-	9,546,687
<u>Less</u> Accumulated amortization	(4,775,979)	(1,907,937)	-	(6,683,916)
Computer software – net	4,730,908			2,862,771
Amortization for the year	1,873,332			1,907,937

12. SHORT – TERM LOANS FROM BANKS

Baht	
2012	2011
Promissory notes	48,638,788
Liabilities under trust receipt agreements	88,598,757
Total	137,237,545

As at 31 December 2012 and 2011, the Company has credit facilities in form of bank overdraft, promissory note, liabilities under trust receipt agreements, letter of credit, forward exchange contracts, the assignment of collection under customer letters of credit, and others totaling Baht 1,573.53 million and Baht 813.29 million, respectively. These short - term loans bear interest rates ranging from 5.88 - 7.48 % per annum and 6.00 - 7.60 % per annum, respectively, and are collateralized by the mortgages of the Company's land and construction and machines as mentioned in Note 10 (31 December 2011 : such loans are collateralized by the mortgages of the Company's land and construction and machines as mentioned in Note 10 and guarantee by the Company's directors.)

13. LONG – TERM LOANS

	Baht	
	2012	2011
Long - term loans from bank	40,768,859	10,155,349
<u>Less</u> Current portion	(14,072,000)	(9,895,349)
Long - term loans from bank - net	26,696,859	260,000

Movements in the long – term loans during the year ended 31 December 2012 are summarized below:

	Baht
Balance as at 1 January 2012	10,155,349
<u>Add</u> Additional borrowings	46,270,859
<u>Less</u> Repayments	(15,657,349)
Balance as at 31 December 2012	40,768,859

During the year ended 31 December 2012, the Company has long-term loans from bank for construction of new office building and purchasing of machine of Baht 32.36 million and Baht 13.91 million, respectively. Loans from bank for construction of office building bear interest rate at MLR - 0.5 per annum and MLR – 1.0 per annum, for the first and second year periods from the utilization date, and interest rate at MLR per annum for the third year period onward until the Company has fully repaid the principal, with grace period for principal repayment for 4 months, and 6 months. The payment of interest commences from the utilization date. Loan from bank for purchasing of machine bears interest rate at MLR per annum without grace period for principal repayment and interest payment. These loans are repayable approximately Baht 1.33 million per month. These loans are collateralized by the Company's land and construction thereon, and part of machine as mentioned in Note 10.

14. LIABILITIES UNDER HIRE – PURCHASE AGREEMENTS

	Baht	
	2012	2011
Liabilities under hire - purchase agreements		
Due within one year	3,488,361	1,872,404
Due later than one year but not over five years	6,495,024	1,399,686
Total	9,983,385	3,272,090
<u>Less</u> Deferred interest	(790,565)	(183,022)
	9,192,820	3,089,068
<u>Less</u> Current portion	(3,078,827)	(1,742,609)
Liabilities under hire - purchase agreements – net	6,113,993	1,346,459

During the year 2012, the Company has 10 additional hire - purchase agreements with local leasing companies covering its motor vehicles for periods of 4 years.

15. INCOME TAX

	Baht	
	2012	2011
Income before income tax	155,439,759	117,357,390
<u>Add</u> Transaction added back under the conditions of the Revenue Code	8,432,941	6,392,136
<u>Less</u> Additional expense deductions	(4,918,690)	(4,438,971)
Taxable income	158,954,010	119,310,555
Income tax		
Tax rate of 23% for taxable income	36,559,422	-
Tax rate of 25% for taxable income not exceeding Baht 50 million	-	12,500,000
Tax rate of 30% for taxable income exceeding Baht 50 million	-	20,793,167
Total	36,559,422	33,293,167
Accrued income tax – beginning of year	19,526,408	10,371,363
<u>Add</u> Income tax for the year	36,559,422	33,293,167
<u>Less</u> Income tax paid during the year	(25,524,531)	(24,138,122)
Accrued income tax – ending balance	30,561,299	19,526,408

During the year 2012, the Company computes corporate income tax for the year ended 31 December 2012 using income tax rate for the listed company in “MAI” of the Stock Exchange of Thailand (SET) as allowed under with the Royal Decree No. 531, B.E. 2554 regarding the income tax reduction.

16. ACCRUED EXPENSES

	Baht	
	2012	2011
Accrued director and management remuneration	7,940,000	5,710,000
Accrued transportation	2,074,643	1,757,099
Accrued bonus expenses	-	2,517,856
Others	3,111,482	3,460,937
Total	13,126,125	13,445,892

17. OTHER CURRENT LIABILITIES

	Baht	
	2012	2011
Provision for warranty claim	4,782,804	3,539,362
Withholding tax payable	1,442,040	1,017,058
Value added tax payable	-	809,218
Others	2,646,841	1,134,883
Total	8,871,685	6,500,521

18. LIABILITIES UNDER EMPLOYEE BENEFITS OBLIGATION

Effective on 1 January 2011 the Company exercised first time adoption of accounting policies “Employee Benefits”, which the Company chooses to recognise past service cost of employee benefit obligation up to 1 January 2011 by adjusting the retained earnings as at 1 January 2011 amounted to Baht 1.74 million, which is an option in accordance with a transitional method of this standard.

During the year ended 31 December 2012 and 2011, the Company has following movements in employee benefits obligation :

	Baht	
	2012	2011
Balance as at 1 January	1,948,044	-
Effect of change in accounting policy for past service employee benefits obligation	-	1,741,017
Balance as at 1 January - adjusted	1,948,044	1,741,017
Provision for the year in statement of comprehensive income	178,183	290,657
Paid during the year	-	(83,630)
Balance as at 31 December	2,126,227	1,948,044

The employee benefit expenses were recorded in the statement of comprehensive income for the years ended 31 December 2012 and 2011 as follow :

	Baht	
	2012	2011
Service cost	203,128	204,286
Interest cost	94,684	86,371
To reverse service cost	(112,418)	-
To reverse Interest cost	(7,211)	-

The Company recognises the employee benefits obligation since employees are entitled to receive benefits upon normal retirement age under the Thai labour law. The defined benefit obligation of the Company is measured using the actuarial technique. The estimated amount is computed by the discounted cashflows for amounts to be paid in the future based on the government bond interest rate with term to maturity approximates the term of the related obligation. The estimated future cash outflows are based on employee wages, turnover rate, retirement ages, mortality, length of service and others. The employee benefits expenses are recognised in the statement of comprehensive income to allocate the expense through the hiring period. Actuarial gains or losses arising from changes in actuarial assumptions, when exceeding 10% of the present value of defined benefit, will be recognised as income or expenses over the average remaining service lives of the related employees. Principal actuarial assumptions are as follows :

Discount rate	4.44 percent per annum
Future salary average increment rate	6.71 percent per annum
Normal retirement age	60 years
Number of employees	135 persons

19. SHARE CAPITAL

At the Annual General Meeting for the year 2011 held on 18 March 2011, the shareholders approved to change the par value of the Company's registered share capital from Baht 100 par value to Baht 1 par value, and the Company's shareholders approved to increase share capital by Baht 50 million (50,000,000 shares at Baht 1 par value), from Baht 150 million (150,000,000 shares at Baht 1 par value) to Baht 200 million (200,000,000 shares at Baht 1 par value). Additionally, the Company's shareholders approved to appropriate the Company's increment registered share capital 50,000,000 shares at Baht 1 par value, totaling Baht 50,000,000 for an initial public offering of 45,000,000 common shares, and for its directors/employees of 5,000,000 common shares. The Company registered the change in par value and the increase in share capital with the Department of Business Development on 21 March 2011 and 23 March 2011, respectively.

At the Meeting No.8/2011 held on 18 July 2011, the Board of Directors passed a resolution to specify an initial public offering period and the share subscription payment during 20 - 22 July 2011 with an offer price of Baht 2.00 per share. The Company received payment for those newly issued shares and registered the increased share capital with the Department of Business Development on 25 July 2011. This makes up the paid-up share capital of Baht 200,000,000 and share premium of Baht 45,939,064 (net of financial advisory and underwriting fees). The Company's shares have been traded in "MAI" under the Stock Exchange of Thailand on 28 July 2011.

20. LEGAL RESERVE

Pursuant to the Public Limited Companies Act. B.E. 2535, the Company is required to set aside as a statutory reserve at least 5 percent of its net profit for the year net of deficit (if any), until the reserve reaches 10 percent of the registered capital. This reserve shall not be distributable for dividends.

21. DIVIDEND PAYMENT

At the Annual General Meeting of Shareholders for the year 2012 held on 24 April 2012, the Company's shareholders approved to pay the dividend from the net profit for the year ended 31 December 2011 at Baht 0.19 per share for 200 million common shares, totaling Baht 37.99 million. The dividend was paid on 11 May 2012.

At the Annual General Meeting of Shareholders for the year 2011 held on 18 March 2011, the Company's shareholders approved to pay the dividend from the net profit for the year ended 31 December 2010 at Baht 14 per share for 1.50 million common shares, totaling Baht 21.00 million. The dividend was paid on 12 April 2011.

22. EXPENSES BY NATURE

Significant expenses by nature for the years ended 31 December 2012 and 2011 are as follows :

	Baht	
	2012	2011
Raw materials and supplies used	620,533,321	475,218,990
Changes in finished goods and work in process	(1,286,563)	(28,158,176)
Purchasing of finished goods	354,797	465,000
Salaries, wages and other employee benefits	80,880,908	64,762,522
Depreciation and amortisation	27,432,260	24,283,156
Warranty expenses	3,956,797	3,030,574
Repair and maintenance expenses	9,334,587	7,145,853
Commission and sales promotion	7,043,924	4,794,475
Transportation expense	10,032,876	6,696,246
Travelling expense	5,530,057	4,302,541
Electricity expense	4,519,279	3,078,016
Professional fees	2,016,879	3,223,903
Bank charges	2,347,175	2,719,562
Provision for doubtful debt and bad debt	1,542,865	1,225,833
Other expenses	32,299,269	20,443,788
Total	806,538,431	593,232,283

23. FORWARD FOREIGN EXCHANGE CONTRACTS

As at 31 December 2012 and 2011, the Company has no policy to use derivative financial instrument for speculation or commercial use. Forward foreign exchange contracts are made to manage exposure for fluctuations in foreign currency exchange rates on specific transactions.

As at 31 December 2012, the settlement dates of open forward contracts ranged between 3 month and 6 months amounted to USD 2.56 million and EUR 0.04 million with contractual exchange rates ranged between Baht 30.90 - Baht 31.34 per 1 USD, and Baht 40.62 per 1 EUR, respectively.

As at 31 December 2011, the settlement dates of open forward contracts ranged between 1 month and 6 months amounted to USD 1.67 million and EUR 0.04 million with contractual exchange rates ranged between Baht 30.92 - Baht 31.51 per 1 USD, and Baht 42.58 per 1 EUR, respectively.

24. FINANCIAL INFORMATION BY SEGMENT

The Company's financial information classified by geophysical nature for years ended 31 December 2012 and 2011 are presented as follows :

(Unit : Thousand Baht)

	For the years ended 31 December							
	2012				2011			
	Sales		Service	Total	Sales		Service	Total
	Domestic	Export			Domestic	Export		
Revenue	712,462	227,890	19,156	959,508	589,161	111,701	13,600	714,462
Costs	503,656	183,744	7,861	695,261	411,675	88,492	6,002	506,170
Gross profit	208,806	44,146	11,295	264,247	117,486	23,209	7,598	208,292
Other income				10,196				3,333
Income before expenses				274,443				211,625
Selling expenses				(37,444)				(26,178)
Administrative expenses				(73,833)				(60,885)
Total expenses				(111,277)				(87,063)
Income before financial cost and income tax				163,166				124,562
Financial costs				(7,726)				(7,205)
Income before income tax				155,440				117,357
Income tax				(36,559)				(33,293)
Net income for the year				118,881				84,064
Trade accounts receivable - general customers - net				258,007				115,270
Property, plant and equipment - net				259,368				197,510
Other assets				269,598				257,660
Total assets				786,973				570,440

25. COMMITMENTS

As at 31 December 2012, the Company has letter of guarantees of approximately Baht 74.74 million issued by financial institutions on behalf of the Company in respect of certain performance bonds required in the normal course of businesses.

26. DISCLOSURE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities carried in the statements of financial position included cash and cash equivalent, accounts receivable, loan from financial institutions, accounts payable, and liabilities under hire - purchase agreements. The particular recognition methods adopted are disclosed in the individual policy statements associated with each.

Foreign Currency Risk

The Company exposure for foreign currency risk relates primarily to its accounts receivable and accounts payable and loans from bank which are denominated in foreign currencies. The Company will enter into the forward exchange contracts when the Company considers necessary to reduce exposure on foreign currency risk.

As at 31 December 2012 and 2011, the Company has financial assets and liabilities in foreign currencies as follows :

(Unit : Baht)			
31 December 2012			
	Foreign currencies	Exchange rate	Baht equivalent
<u>Accounts receivable in foreign currency</u>			
USD	123,333	30.4857	3,759,908
AUD	635,420	31.4849	20,006,135
<u>Accounts payable in foreign currency</u>			
USD	2,401	30.7775	73,903
EUR	8,023	40.8603	327,820
<u>Short – term loans from bank in foreign currency</u>			
USD	2,773,344	30.7775	85,356,583
EUR	79,348	40.8603	3,242,173
(Unit : Baht)			
31 December 2011			
	Foreign currencies	Exchange rate	Baht equivalent
<u>Accounts receivable in foreign currency</u>			
USD	79,240	31.5505	2,500,062
AUD	423,830	31.9010	13,520,601
<u>Short – term loans from bank in foreign currency</u>			
USD	1,851,179	31.8319	58,926,539
EUR	39,175	41.3397	1,619,483

Credit Risk

The Company provides credit term on its trade transactions. The Company manages its exposure to credit risk by closely monitoring collection of accounts receivable and focuses on overdue accounts. In the case of doubt about the collectability on accounts receivable, the Company provides allowance in the accounts as deemed necessary.

Interest Rate Risk

The interest rate risk is that future movements in market interest rates that will affect the results of the Company operation and its cash flows. The Company's exposure to interest rate risk relates primarily to their deposits with bank, loans from bank and liabilities under hire - purchase agreements as follows :

(Unit : Baht)

	31 December 2012			
	Floated rate	Fixed rate	No interest	Total
<u>Financial assets/ liabilities</u>				
Cash and cash equivalents	29,364,320	-	14,173,476	43,537,796
Temporary investment	35,291,304	-	-	35,291,304
Trade accounts receivable	-	-	258,258,498	258,258,498
Short - term loans from bank	137,237,545	-	-	137,237,545
Trade accounts payable	-	-	77,442,700	77,442,700
Long - term loans from bank	40,768,859	-	-	40,768,859
Liabilities under hire - purchase agreements	-	9,192,820	-	9,192,820

(Unit : Baht)

	31 December 2011			
	Floated rate	Fixed rate	No interest	Total
<u>Financial assets/ liabilities</u>				
Cash and cash equivalents	22,179,975	-	24,706,097	46,886,072
Temporary investment	52,101,041	-	-	52,101,041
Trade accounts receivable	-	-	117,174,687	117,174,687
Short - term loans from bank	64,459,541	-	-	64,459,541
Trade accounts payable	-	-	60,958,299	60,958,299
Long - term loans from bank	10,155,349	-	-	10,155,349
Liabilities under hire - purchase agreements	-	3,089,068	-	3,089,068

As of 31 December 2012 and 2011, the financial instrument classified by the periods of time of the statements of financial position date to their maturity date are as follows :

(Unit : Baht)

31 December 2012					
	At call	Within 1 year	Over 1 year	Total	Interest rate (%)
<u>Financial assets/ liabilities</u>					
Cash and cash equivalents	43,537,796	-	-	43,537,796	0.75% - 0.875%
Temporary investment	35,291,304	-	-	35,291,304	Approx. 2.66%
Trade accounts receivable	258,258,498	-	-	258,258,498	
Short - term loans from bank	-	137,237,545	-	137,237,545	6.00% - 7.60%
Trade accounts payable	77,442,700	-	-	77,442,700	
Long - term loans from bank	-	14,072,000	26,696,859	40,768,859	7.125% - 6.50%
Liabilities under hire - purchase agreements	-	3,078,827	6,113,993	9,192,820	2.40% - 3.55%

(Unit : Baht)

31 December 2011					
	At call	Within 1 year	Over 1 year	Total	Interest rate (%)
<u>Financial assets/ liabilities</u>					
Cash and cash equivalents	46,886,072	-	-	46,886,072	0.75% - 0.875%
Temporary investment	52,101,041	-	-	52,101,041	Approx. 2.39%
Trade accounts receivable	117,174,687	-	-	117,174,687	
Short - term loans from bank	-	57,283,557	-	57,283,557	6.00% - 7.60%
Trade accounts payable	60,958,299	-	-	60,958,299	
Long - term loans from bank	-	9,895,349	260,000	10,155,349	6.25% - 7.25%
Liabilities under hire - purchase agreements	-	1,742,609	1,346,459	3,089,068	4.10% - 8.26%

Fair value of financial instruments

The following methods and assumptions are used to estimate the fair value of each class of the Company's financial instruments.

- Financial assets are shown at estimated fair value.
- Financial liabilities are shown at the book value which is considered fair value because such liabilities will be matured in short term.

27. EVENTS AFTER THE REPORTING PERIOD

At the meeting on 21 February 2013, the Company's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.31 per share to the common shareholders, from operating result for the year 31 December 2012. The dividend payments must be approved at the Annual General Meeting of the Company's shareholders on 23 April 2013.

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on 21 February 2013.

