

ANNUAL REPORT  
**2014**

QTC IS READY ACCESS TO AEC



QTC Energy Public Company Limited



[www.qtc-energy.com](http://www.qtc-energy.com)



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# Message from the Chairman of the Board



I would like to hereby inform all shareholders on behalf of every company director that, throughout the past several years, you must have observed the determination of every member of the board of directors, including that of the CEO, who would like to give importance to operating the business in terms of engineering development and product manufacturing, including improvements to production lines by employing modern technology with transparency, good corporate governance and concurrence with the law, rules and regulations for the company's sustainable growth.

With the aforementioned management confidence, confidence is instilled in all shareholders and stakeholders that you will be satisfactorily awarded with investment remunerations every year and see the numbers that show business growth similar to goals set by the company early in the year. Therefore, with the aforementioned expectations, the company has invested in the construction of an electricity transformer chassis factory and purchased additional machinery to advance the company's manufacturing potential.

Furthermore, all shareholders are likely aware that whether the business of an ordinary company succeeds according to plan depends on environmental conditions of the country, economic policies and regulation changes by the public sector. Hence, with the domestic political problems, the country's economic growth in the past year has greatly recessed and prevented the company from achieving the targets set early in 2014.

In addition, although the current prediction puts the country's GDP at over four percent, the country remains under martial law in early 2015. This demonstrates that the country's internal political issues remain unresolved. Under such uncertainty, the company's board of directors and executives has put forth new marketing strategies, domestically and abroad, in conjunction with risk reduction and decreased business expenditures in order to lead to sustainable growth of the company in the future.

On behalf of the Board of Directors



**Associate Professor, Doctor Somchob Chaiyavej**

Chairman, Board of Directors

# Message from the CEO and the Managing Director



Although Thailand's economic growth rate for the first half of 2014 showed a decline amidst social conflicts and political unrest that delayed plans for investment in the infrastructure, product pricing directions, energy and cost of living. The business sector has postponed investments, particularly new investments, pending clarity about the economic and political situations. According to the Thai Industries Sentiment Index (TISI) and the Consumer Confidence Index, business is declining and this has had its impact on the electricity transformer industry by delaying growth during the first half of the year.

Nevertheless, the economy began to recover during the latter part of the year, domestic demand increased from consumer payment for household utilities. The service sector improved after greater clarity was brought to the political situation.

Hence, the company was able to turn its losses into profit. In 2014, the company's performance showed total earnings of 760.50 million baht, a net profit of 55.29 million baht, which were decreases of six and twenty-five percent from the previous year. During the past year, the company invested in machinery expansion, including the construction of a tank assembly plant that was completed in May to handle increased manufacturing capacity in 2015. At present, the company's manufacturing capacity is as high as 1,500 million baht per year.

In addition, the company will make various strategies to generate increased income and profit. And the company remains committed to the environment and participation in ongoing social development for increased growth. Overall, the company has performed ongoing internal and external activities. As a result, the company was received the following three awards: 1. The CSR Recognition 2014 in the general category; 2. CSR Awards 2014 in the outstanding company category and 3. CSR Awards 2014 in the category of excellence. These awards have given the company pride in being able to give something back to society.

The company has monitored compliance with set specifications and good governance criteria by basing consideration on the criteria for the Corporate Governance Report of The Listed Company (CGR) for 2015 for the purpose of transparency and traceability leading to credibility and confidence for shareholders, investors, stakeholders and every other party concerned.

For 2015, the Thai economy is expected to experience a growth rate of 4.1 supported by anticipated increases in government expenditures, particularly from infrastructure investment mega-projects in freighting and transportation, government enterprise and government investments from sky train projects for various color lines/routes, paired railway projects and other projects, including higher investments in the private and export sectors where improved growth is also expected once the domestic political situation calms down, which will have the effect of boosting growth for the electricity transformer industry in comparison to last year.

On behalf of the Executive Committee, I would like to thank all of our stakeholders, including the company's employees and executives who have always participated in driving the company to success. And I would like to ensure everyone that the Executive Committee will remain firmly committed in governing a stable business with ongoing sustainable growth.

On behalf of the Board of Directors



(Mr. Poolpipat Tantanasin)

Chairman and Managing Director

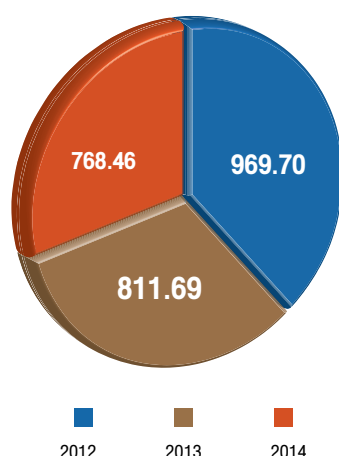
# Financial Highlights

(Unit : Million)

| Performance                                    | 2012                  | 2013                  | 2014                  |
|------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Revenue from sales and services                | 959.51                | 803.95                | 760.50                |
| Total revenue                                  | 969.70                | 811.69                | 768.46                |
| Gross profit                                   | 264.25                | 211.53                | 180.35                |
| Profit before interest and income taxes        | 163.17                | 100.48                | 77.38                 |
| Net profit                                     | 118.40                | 74.51                 | 55.30                 |
| Total comprehensive income (loss) for the year | -                     | -                     | 54.70                 |
| Net profit per share                           | 0.59                  | 0.37                  | 0.28                  |
| Dividend per share                             | 0.31<br>(200,000,000) | 0.21<br>(200,000,000) | 0.18<br>(200,000,000) |
| Total assets                                   | 788.97                | 735.84                | 712.78                |
| Total liabilities                              | 326.06                | 260.42                | 224.66                |
| Shareholders' equity                           | 460.92                | 475.42                | 488.12                |

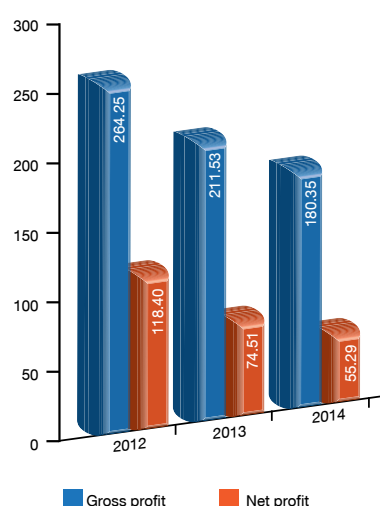
## Total revenue

(Unit : Million Baht)



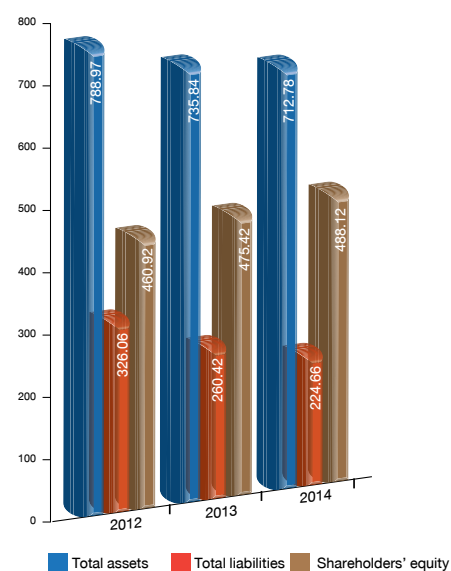
## Gross profit, Net profit

(Unit : Million Baht)



## Total assets, Total liabilities, Shareholders' equity

(Unit : Million Baht)



# Policy and Overview of Business Operations



## 1. Background

Formerly known as Quality Transformer Co., Ltd., QTC Energy Public 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 on 19 August 2010, the company became a public company limited under the name of QTC Energy Public Co., Ltd., and listed on Stock Exchange Thailand on 27 July 2011 with Mr. Poonphiphat Tantanasin as the founder. Mr. Poonphiphat Tantanasin has over thirty-eight years of experience working in the transformer manufacturing industry. He has 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 25 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.

## 2 Overview of Business Operations & Key Developments

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: 10-5000 KVA
  - 1.1 Hermetically Sealed Oil Type Distribution Transformers.
  - 1.2 Open Type Transformers with Conservators.
2. Power Transformers: 5000-30000 KVA
3. Special Transformer is designed and manufactured according to usage and features to customers such as Earthing Transformer, Dry-Type Class F&H, Unit Substation, Pad mounted.

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.

# Progress with Purpose & Vision



คุณภาพแห่งความประณีต  
**QUALITY OF DETAILS >>**  
 D - DYNAMICS E - ENVIRONMENT  
 T - TEAMWORK A - ACHIEVEMENT  
 I - INNOVATION L - LEADERSHIP S - SERVICE

## Quality of DETAILS

Attention to DETAILS is at the heart of our principles and encompasses every area of QTC with comprehensive coverage from staff, thought processes, work methods, technological advancement, factory operation, products and consideration for society and environment.

## Vision

QTC is a world-class manufacturer providing world-class quality in electric transformation equipment and services.

## Management Principles

QTC is firmly committed to three good corporate governance principles.

1. Ethical, just and transparent management.
2. Product and service provision meeting international quality standards.
3. Focus on corporate social and environmental responsibility in strict compliance with human rights principles.

## Mission

We are firmly committed to meeting our customers' electrical system performance challenges with products and services meeting international standards.

The company's vision and mission are reviewed annually with review and approval from the company's Board of Directors on 16 December 2014 to ensure the concurrence of the company's vision and mission with current economic conditions.

## 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, Italy.

### 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 RWTÜV, 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.
- 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:
  1. 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.
  2. [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:
  1. Fair treatment of all parties concerned.
  2. Disclosure of information and transparency.
  3. Risk management.
  4. Promotion of excellent corporate practice.
  5. Corporate social and national responsibility.
  6. 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:
  1. 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.
  2. Distribution, sales, installation, and maintenance of transformers, which were issued on 10 September 2010 and effective until 9 September 2012.
- The company received a “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 an initial public offering (IPO) of shares and Stock Exchange of Thailand listed the company’s ordinary shares as registered shares and began buying and selling on 28 July 2011 under the company’s abbreviated name for buying and selling shares, 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
- In December, the company was awarded for food hygiene with a "D" Class certificate for "Clean Food, Good Taste" from the Health Department, Ministry of Public Health for the second consecutive year.

## 2012

- In February, the company was officially awarded laboratory accreditation for laboratory testing ability in compliance with TIS Standard No. 17025-2548 (ISO/IEC 17025:2005), Certificate No. 12007/T 309 from the Thai Industrial Standards Institute, Ministry of Industry.
- In February, the company moved to work at its new headquarters located at 2/2 Krungthep Kritha 8 (5), Krungthep Kritha Rd. Huamark, Bangkok, Bangkok 10240.
- In March, the company commenced the construction of a plant in order to expand production capacity by adding silicon steel slitting machines and silicon steel cutting machines. The construction was complete and the plant was open for operations in December in Pluak Daeng, Rayong.
- In April-September, the company participated in an industrial logistics efficiency building project by the Department of Primary Industries and Mines in cooperation with the Technology Promotion Association (Thailand –Japan).
- In June, the company was awarded a certificate for being a health-promoting workplace by Honorary Professor,
- Dr. Kasem Wattanachai, Privy Councilor.
- In July, the company participated in a cooperative project for the production of Amorphous Distribution Transformers (AMDT) with Hitachi Metals Japan.
- In October, 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 electricity transformers passed short circuit testing by the CESI in Italy with Type Test Certificate No.B2030322-27.
- In September, the company was awarded a certificate for meeting clean technology criteria for entrepreneurial development from the Governor of Rayong.

## 2013

- In January, the company was granted accreditation for laboratory testing in compliance with TIS 17025-2548 (ISO/IEC 17025:2005) Standards, Certificate No. 12007/T 309 from the Thai Industrial Standards Institute for the second consecutive year in which the company applied for accreditation.
- In May, the company produced Amorphous Distribution Transformers (AMDT) in cooperation with Hitachi Metals Japan with 1000 kVA sized transformers for commercial distribution with the first transformer in October.
- In June, the company participated in an in-depth consulting project for SMEs with the lean standards of the Department of Industrial Promotion.
- In June, the company participated in a consultation project for 5-S activities by the Technology Promotion Association (Thailand –Japan) for corporate restoration and development in increase production capacity with the 5-S system.
- In June, the company was awarded a Class 3 Green Industry certificate by the Ministry of Industry.
- In June, the company signed a joint venture project contract for the construction of electricity transformers in Vientiane, Laos.

- In July, the company purchased a Distribution Transformer Test System DTTS 3-2500 from HAEFELY Switzerland in order to enhance the efficiency of testing and certification for increasing work volume in the future. The installation and use began in February of 2014.
- In July, the company commenced the construction of a plant for manufacturing tanks for electricity transformers.
- In November, the company was granted CSRI Recognition in the Rising Star category by the Corporate Social Responsibility Institute, Stock Exchange of Thailand.

## 2014

- In January, the company laid out its main foundation (Phase 1) for modifying processes by implementing the Total Quality Management System (TQM) to sustainably develop the organization.
- In February, the company applied for participation in TLC: ISO50001 Project with the Thai Industrial Standards Institute and the company is currently requesting certification from SGS Co., Ltd.
- In March, company has received the honor a card to show that they have been taken to prevent and solve the problem of drugs in operations by the white factory project. Level 3 from the Department of labour protection and welfare, and Rayong province.
- In May, the company completed construction of transformer tank factory buildings.
- In July company sent the first set of transformers to sell in Japan successfully.
- In November, the company received the 5S Model Award 2014 for the Bangkok Office area, the CSR Office area, Factory No. 3 areas and the Coiling Room area.
- In November, the company received three awards for registered companies for corporate social responsibility from the Stock Exchange of Thailand at the SET Award as follows:
  1. CSR Recognition 2014 in the general category.
  2. CSR Award 2014 in the outstanding category.
  3. CSR Award 2014 in the excellence category.

### 1.3 Policy and Business Performance Goals

The company has set a goal to become a manufacturer of world class transformers with emphasis on the development of quality and standards for the company's transformers in order to build confidence in maximum efficiency with continued wide acceptance of customers at home and abroad. The company intends to maintain and expand its customer base, especially in the member countries of the ASEAN Economic Community (AEC). The company has considered the state of competition expected to occur following the launching of the AEC. Therefore, the company has clear guidelines for investing in improved production efficiency over the next three years from 2012 to 2015. The company's personnel investments emphasize development based on the principles of human capital, which develops personnel in line with corporate strategies and tactics to increase competitive capacity during the new economic era which will begin in 2015. In addition, we intend to accelerate the development of supply chain management. After 2015, movements of raw materials between AEC countries will be exempted from customs taxes, which will be reduced to zero percent. Furthermore, each country will have policies to reduce logistics costs, so the company will have to prepare to handle the movements of products among AEC countries, which will be convenient, rapid and free from customs taxes, so the company can increase its competitive capacity in other ways. Moreover, the company places importance in the improvement of the quality and efficiency of service provision aimed at maximum customer satisfaction for customers who use QTC transformers and customers who use the transformers of other producers, which will be a marketing channel that will increase the company's transformer distribution in the future.

In managing the corporation to achieve the aforementioned goals, the company adheres to management principles under the process of "Quality of Details" and good governance principles, including conducting its business under corporate governance principles for sustainable growth.

## 1.4 Future Projects

The company has taken action toward projects for future investment. These details of these projects can be summarized as follows:

### 1. Megawatt Biomass Fuel Power Plant Project

The company studied project feasibility in 2014 by mixing gas produced by the company with palm shells and wood to produce fuel power for production with a capacity of 9.9 MW for sale to the electricity authorities. The company is currently involved in joint ventures with four other companies, namely, QTC Energy Public Co. Ltd., Universal Absorbents and Chemicals Public Co. Ltd., Asia Green Energy Public Co., Ltd. According to the findings of the project's feasibility study, the project was found to have high risks in the area of gaining public acceptance in the vicinity of the biomass factory location. The company believes this to be a potential risk for the company. Therefore, the Board of Directors has deemed it fitting to cancel the aforementioned project. Nevertheless, the company continues to maintain guidelines for expanding its business in the aspect of power plant construction. Thus, the company has assigned teams to study the feasibility of other power plant projects.

### 2. Lightning Arrester Production Project

Whereas the company has plans to invest in the production of polymer lightning arrester equipment, the company has enlisted the cooperation of ABB in term of main raw material support for the production of the lightning arrester equipment. The company is currently in the process of conducting a technological study on low cost manufacturing ability at a production output of no more than 50,000 sets per year. The current market demand is in the early stages, so the market is not large but will increase over the next three to five years. At present, the company is in the process of studying the data.

# Board of Directors



## 1. Prof. Dr. Somchob Chaiyavej Chairman of the Board

Age 79 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
- Chairman of Board, Thai Auto Tools and Die Co.,Ltd
- Executive Director of Board ,Nation Research Council of Thailand



## 2. Mr. Padetpai Meekun-iam Director

Age 70 Years

### Education

- M.S. (Mechanical Engineering), Georgia Institute of Technology, U.S.A.
- Course: Director Certification Program (DCP), Class of 22/2002
- Audit Committee Program (ACP), Class of 42/2013
- Monitoring the Quality of Financial Reporting (MFR), Class of 17/2013
- Monitoring the System of Internal Control and Risk Management (MIR), Class of 14/2013
- Monitoring Fraud Risk Management (MFM), Class of 10/2013
- Monitoring the Internal Audit Function (MIA), Class of 14/2013

### Other Positions

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



## 3. Mr. Polrachot Piyathanom Director

Age 62 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
- Course : Role of the Compensation Committee (RCC), Class of 19/2014

### Other Positions

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



**4. Mr. Nattapol Lilawattananan**  
**Director**

Age 57 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 Consulting Co., Ltd.



**5. Mr. Nakorn Phrprasert**  
**Director**

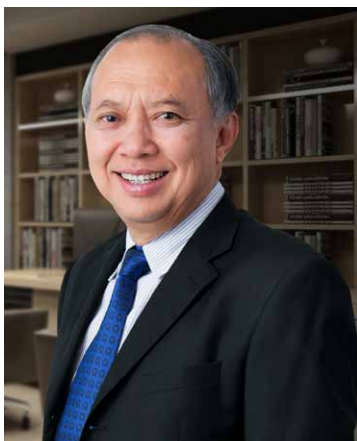
Age 63 Years

**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 62 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 54 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-

# Board Of Executive



1. Mr.Poonphiphat Tantanasin  
Chief Executive Officer



2. Mr.Siripong Boontam  
Deputy Managing Director



3. Mr. Ruangchai Kritsnakriengkrai  
Deputy Managing Director



4. Miss Boonpa Ruddist  
Manager, General Management Department



5. Miss Chotika Chumpoon  
Manager, Finance & Accounting Department

# General and Other Relevant Information

## 1 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                                                                                                                                                                      |
| Registered Capital                | : | 200 million shares                                                                                                                                                                 |
| Paid-up Capital (ordinary shares) | : | 200 million shares                                                                                                                                                                 |
| Website                           | : | www.qtc-energy.com                                                                                                                                                                 |
| Investor Relations                | : | 0-2379-3089, ext. 241                                                                                                                                                              |
| Telephone                         | : | 0-2379-3089-92                                                                                                                                                                     |
| Facsimile                         | : | 02-379-3097                                                                                                                                                                        |

### Stock Registrar

|                |   |                                                                                      |
|----------------|---|--------------------------------------------------------------------------------------|
| Company Name   | : | Thai Securities Depository Co., Ltd.                                                 |
| Office Address | : | 62 Stock Exchange of Thailand Building, Ratchadapisek Road, Klongtoey, Bangkok 10110 |
| Telephone      | : | 02-229-2800, 02-654-5999                                                             |
| Facsimile      | : | 02-359-1262-3                                                                        |

### Auditors

|                |   |                                                                                                                                                                                                                                                                    |
|----------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Auditors       | : | Mr. Somkid Tiatrakul, Accounting Auditor's License No. 2785 or Mrs. Sumalee Chotdianan, Accounting Auditor's License No. 3322 or Mr. Teerasak Chausrisakul, Accounting Auditor's License No. 6624 or Ms. Sansanee Poolsawat, Accounting Auditor's License No. 6977 |
| Company Name   | : | Grant Thornton Co., Ltd.                                                                                                                                                                                                                                           |
| Office Address | : | 87/1 All Seasons Place, 18th Floor, Wireless Rd., Lumpini, Pathumwan, Bangkok 10330                                                                                                                                                                                |
| Telephone      | : | 0-2205-8222                                                                                                                                                                                                                                                        |
| Facsimile      | : | 0-2654-3339                                                                                                                                                                                                                                                        |

### Legal Consultants

|                |   |                                                          |
|----------------|---|----------------------------------------------------------|
| Company Name   | : | Bangkok Jurist Ltd.                                      |
| Office Address | : | Paso Tower, 19th Floor 88 Silom Road Suriyawong, Bangrak |
| Telephone      | : | 02 267 2460-3                                            |
| Facsimile      | : | 02 267 2464                                              |

## 2 Other Relevant Information

Investors can study additional information about the Company in the Company's Annual Disclosure Form (Form 56-1) posted at [www.sec.or.th](http://www.sec.or.th) or [www.set.co.th](http://www.set.co.th) and the company's website at [www.qtc-energy.com](http://www.qtc-energy.com).

# Business Characteristics



## Business Operations of Each Product Line

### 1 Characteristics of products and service

#### 1.1 Electricity Transformers

The electricity transformers manufactured and distributed by the company are custom-made or made to meet the specifications of customer orders. Customers provide product specifications such as high and low voltage, loss, impedance, vector group and temperature rise so the company can design high quality electricity transformers to meet customer needs. All of the electricity transformers sold domestically by the company are under the “QTC” trademark. For foreign supply, products are distributed under both “QTC” and customer trademarks. In addition, the main components of the electricity transformer are as follows:

1. **Steel Core** which acts as a magnetic circuit for the transmission of magnetic line of force to produce pressure on both low and high voltage coils. The steel core is made from cutting silicon steel and layering it to form a core.
2. **High Voltage (Primary)** Coils receive electric energy from high electric transmission lines and transform the electric energy into magnetic energy for transmission to a low voltage coil. High voltage coils are normally made from round copper coil soaked in chemicals and wrapped or put onto low voltage coils.
3. **Low Voltage (Secondary)** Coils act as distributors of electricity from transformers onto a load or accompanying equipment. Low voltage coils are made from flat copper coil covered by insulation or copper foil with relatively large sized wrapping on the insulator cover to be inserted onto the steel core
4. **Tanks and Tank Lids** are components that preserve transformer oil and release heat inside the transformer. The company uses the technique of producing electricity transformers hermetically sealed with prototype in a corrugated form with heat release fins attached to all the sides of the tank so the heat can be swiftly released from the inside to the outside. The fins are folded from long steel sheet making the connecting mark less visible while reducing the chance of tank leakage in comparison to previous specifications using radiator fin for heat ventilation. The tank lid is usually used to install the bussing and other tank protection equipment.

5. **Bushings** are part of the receiver or distributor of the transformer electrical current. The ingoing and outgoing wires are connected to the bushing and the inside of the bushing holds an electric conductor leading the electrical current to the coil. The bushing acts as an insulator to prevent the leakage of electricity into the tank.
6. **Transformer oil** acts as a good insulator that is high in purity and used as an electric insulator inside the transformer as in addition to helping ventilate heat from the coil inside the transformer to outside air.
7. **Taps** are equipment that changes the ratio of the coils, allowing the pressure proportion of the transformer to be at a the desired rate.
8. **Other equipment** used for protection such as tools for oil level measurement, thermometers and pressure release valves are used to measure various levels of the transformer. Once an error is detected, a warning signal is sent to control the corrective equipment and prevent severe damage to the transformer.

The electricity transformers produced and distributed by the company are divided into the following two types:

#### 1.1.1 Distribution Transformer

Distribution transformers are equipment performing the task of transforming high voltage electricity from the Metropolitan Electricity Authority and the Provincial Electricity Authority distribution systems through distribution lines at 11-33 Kilovolts, or KV, so the electromotive force will be reduced to the same level required by the needs of customers such as industrial factories, households and high-rise buildings.

The distribution transformers manufactured and distributed by the company have electric power from 10-5,000 kilovolt amperes (KVA) and electromotive force less than 36 KV in both the first and third phases.

Distribution transformers can be divided into the following two types:

1. **Hermetically Sealed Oil Type Distribution Transformers:** This type of transformer uses transformer oil as an insulator to prevent short circuits inside the transformer and release heat from inside the coil to the outside area. The tank itself is carefully sealed to prevent external air from leaking inside and mixing with the oil. This type of transformer, therefore, is highly capable of withstanding moisture and deteriorates at a slower rate. It will also help preserve the quality of the insulator of transformer oil as well as extend the durability and reduce maintenance costs. This type of transformer is mainly installed outdoors.

2. **Open Type with Conservator:** A previous electricity transformer design that has been popular for a long time. It requires transformer oil as an insulator and heat release in the same manner as the hermetically sealed oil type distribution transformer. The difference is that it has a conservator installed to reserve the expansion of the oil during operations and a tube to let the air flow. On the end of the tube is a bulb filled with silica gel that absorbs moisture from the air before it enters the transformer. This type requires transformer inspection oil every 6-12 months.

The electricity transformers distributed by the company are quality transformers certified by standards such as Thai Industrial Standards 384-2543 by the Industrial Standards Institute, Ministry of Industry, ISP 9001:2000 for the design, production and maintenance of the distribution transformer. In addition, the company has being manufacturing electricity transformers requiring compliance with international standards such as IEC 60076, IEEE Std C57.12.00, VDE 0532, JEC 204, AS 2374 or other standards to satisfy customers.



Furthermore, in order to ensure that the development of the electricity transformers are fully compliant with the standards of our customers in addition to building greater trust from our customers, the company has sent our electricity transformers for short circuit testing by a well-renowned global institution. The 250 KVA, 500 KVA, 1000 KVA, and 2000 KVA have all passed the test and received certification for short circuit resistance by CESI, Italy. Power plants with 167 KVA have passed the short circuit testing and received certification for short circuit resistance by KEMA, Netherlands. The company has been planning to have other electricity transformers submitted to short circuit testing to increase the chance of winning price bidding from electricity transformer manufacturers and distributors, including the government, in addition to expanding the domestic market. In 2012, 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. have all passed the short circuit testing by CESI in Italy.



### 1.1.2 Power Transformers

Power transformers are transformers used to adjust electromotive forces transmitted from power generation sources along the transmission line to reduce force before entering the distribution line and then later to the end user. The power transformers the company is manufacturing and distributing are sized at 5,000-30,000 KVA with a maximum electromotive force of 72 KV.



### 1.1.3 Transformers-dry (Dry Type Cast Resin Transformer)

Transformers-dry (Dry Type Cast Resin Transformer) transformer is suitable for installation in the building because of electrical insulation, dry. Do not use oil-insulated high-voltage coils series casting Resin Epoxy in Dune that has moisture resistance. The dust and the environment, and the fire resistant properties. A project that uses a transformer, dry, such as high-rise buildings. Residential building or condominium The hospital or who have limited space to use the transformer can be installed in the building. The company had invested both goods and personnel readiness for service to customers, to sell the dry transformer tested according to international standards in order to build the confidence to customers.

In addition, the company manufactures special types of electricity transformers that are custom-designed and produced to meet customer needs such as Earthing Transformers, Dry-Type Class F&H, Unit Sub-stations and pad mounted transformers.



In 2012, the company invested in restoration and extension of building and machines for electricity transformer production, such as 2-coil wiring machines capable of coiling at the time and silicon steel slitting machines. All the machines are fully assembled and have been ready to use since November of 2012.

In 2013, the company expanded production capacity by constructing factory buildings to produce transformer tanks, which were completed in 2014 and increased production capacity by 30% of original capacity. At present, the company is able to generate as much as 1,500 million baht per year.

## 1.2 Services

All services provided by the company are related to 24-hour transformer usage. Our highly experienced engineers and technical experts are ready to support and assist customers who have purchased QTC electricity transformers, as well as general customers. In cases where an electricity transformer belongs to the QTC brand, the details regarding emergency contact information are placed on the sides of all transformers. The electricity transformer-related services provided by the company include the following:

- Electricity transformer installation
- Inspection and maintenance according to the product cycle
- Restoration and maintenance of the electricity transformer
- Filling oil into the electricity transformer
- Electricity transformer rental
- Electricity transformer testing
- Advice on electricity transformers and electrical systems
- Service on steel cutting and coil wiring

## 2 Marketing and Competition

### 2.1 Competitive Strategy

#### 1. Product Quality

The company is firmly committed to policy for constant development in the quality of the electricity transformers to comply with international standards from design to the selection of raw materials for production. Quality inspections are frequently conducted for the raw materials frequently purchased. The company's electricity transformers have been designed by a computer system that increases and precisely controls loss under the supervision of experienced engineers in the design field. Furthermore, the technology employed by the company in power plants is up-to-date and highly developed. The main machines used are imported from Germany and all of the production process, up to the products delivered to our customers, have been tested and controlled. All the company's operations described above have been adopted to ensure that products are standardized and customized for customer satisfaction. The company's products are clearly certified by ISO 9001:2008, and all of the electrical sizes and types of electricity transformers available in the market are certified with Thai Industrial Standards 384-2543. Moreover, the 100 KVA, 150 KVA, 250 KVA, 300KVA, 500 KVA, 750KVA, 1000 KVA , 2000 KVA, and Earthing Transformer 1600A have all passed short circuit resistance testing by CESI, Italy. The 167 KVA has also passed short circuit resistance testing from KEMA, in the Netherlands. Both institutions are world famous testing institutes capable of ensuring the quality and durability of the



#### 2. Speed and Reliability in Product Delivery

Delivering products on schedule is another important factor considered by customers when deciding to purchase products from various suppliers. Most of the customers have a timeframe that is exact, especially those in the state enterprise sector that produce and distribute electricity or customers who have won price bidding for entire projects. If QTC is unable to deliver products on time, it may cause delays for the customer's projects and our company may be required to pay fines according to purchase/sales agreements. Therefore, our main policy is to deliver products on time

to maintain customer satisfaction and ultimately build trust and loyalty, as well as brand promotion for our company.

### 3. Effective Capital Management

The company gives importance to the efficiency of capital management, which is a main cost with impact on the company's profit and competitive capacity, beginning with the selection of raw materials. A team of experts selects the manufacturers and/or suppliers who are required to pass inspection testing on their production processes to ensure the quality of the raw materials and reduce loss from production caused by low quality raw materials. In addition, the company has adopted the ERP system to plan the purchasing of raw materials to help control the amount of raw material production at acceptable and sufficient levels. Since the ERP system has linked information from all departments since orders began to be accepted from the customers, the system takes the orders and plans for production and raw material purchases.

In addition, the company has planned a production and technological production system to help save production costs as well as maintain product quality. Applying the Wound Core technology for steel core production, this technology will reduce steel input.

- Silicon and loss of silicon steel could reduce overall production costs
- Finding alternative raw materials for wider options and helping manage capital would be very efficient, e.g. copper foil or paper-wrapped flat wire is an important component for wrapping low voltage coils.

However, the selection of each raw material depends on the specifications of the electricity transformers requested by the customers.

### 4. Acquiring Experienced Staff and Experts in the Electricity Transformer Industry

With the company's team of directors, architects, and most of the staff with experience and expertise in the electricity transformer industry for over 25 years and having passed the training of world-renowned electricity transformer manufacturers from both Germany and Japan, the company is able to help develop technology both in terms of design and improve the production process for higher efficiency. The machines are therefore high tech and able to reduce production process, causing cost to be lower and able to compete well with competitors in the business. Also, the sales department has experience in the sales and marketing field for over 25 years, making them understand customer's demand and in-depth electricity transformer market condition. They are therefore able to command strategies which are suitable for each situation perfectly.

### 5. Trade Alliances and Good Relationship with Distributing Agents

In 2014, 19-25% of income from net sales of electricity transformer comes from distributing agents, both domestic and abroad. As of January, 31, 2014, the company has a total of 3 agents domestically and 6 agents abroad; covering Malaysia, Australia, South Africa, and Italy. Also, the company is focused on maintaining and developing relationship with the agents continuously. Also, to maintain good relationship among other companies in the market and distributing agents to share information for product and quality development, as well as service. This allows the company to improve product quality to directly serve needs of the customers at a high standard.

### 6. Post-Sale Services

The company offers after sale service by experts in electricity transformer to give advice and suggestions on problem solving 24 hours to customers. This service will not only impress the customers but allow the company to be aware of the existing problems caused by the product directly from the customer. The company will be able to take the complaints to develop and fix the product accordingly. The product will therefore have high quality and fully respond to customer's demand. Since the electricity transformer has high quality, we can ensure this by offering 2 year product

warranty.

## 2.2. Characteristics of Customers

Customers of our company can be divided into 2 main groups as follow;

### 1. Domestic customers

Domestic customers of the company could be divided into 4 categories as follow;

#### 1.1 State and state enterprise

State and state enterprise is a group combined of the main customer who is the electricity state enterprise producer and distributor. This includes The Provincial Electricity Authority (PEA), The Metropolitan Electricity Authority (MEA), Electricity Generating Authority of Thailand (EGAT), and other state and state enterprise customers such as, Ministry of Public Health, Public Works Department, and Royal Irrigation Department.

#### 1.2 Project Contractors

This customer group ranges from small to large project contractors whereby the marketing officer will be responsible for contacting the customers to present electrical transformer to the project's owner, architecture, and project advisor, including taking the customers on a tour to visit the factories to gain their trust of the company's products. After, the marketing officer contacts the contractor to start the sale process. The process begins with the specs and details of the electricity transformer which the customer wants to gather information as data for designing and price offering. This type of customer includes Powerline engineering public company limited. ItalThai development public company limited, and Demco public company limited.

#### 1.3 Distributing agents

Customers who are distributing agents and then onwards to end users. On the 31st January 2013, the company has a total of 3 distributing agents. Each agent is responsible for distributing the electricity transformer and offering service in their area of responsibility. This will help with marketing and service provided by the company to fully cover all the area. The sales department will be responsible of selling through distributing agents and inspect these agents regularly to give information and strategy during each period, as well as conduct questionnaire on customer's satisfaction regarding the product and service provided by the company. They are also obliged to hear problems and take that to further improve and resolve later on.

#### 1.4 Project or factory owners

This group of customer will purchase electricity transformer to use in their own factories or buildings such as Advance Pepper Mill Company Limited, True Universal Convergence Company Limited. The marketing officer and/or sales officer will directly contact the procurement department, as well as to advise and present the company's products for the customer to see the importance of using high quality electricity transformer which will greatly help save energy.

### 2. Foreign customers

#### 2.1 Distributing agents

Currently, the company has 6 agents covering electricity transformer distribution in Australia, Malaysia Italy, and South Africa where the income from export (92%) mainly comes from selling through distributing agents.

#### 2.2 Other customer groups

Other customer groups include contractor and trading firm which will purchase electricity transformer from the company and deliver it to end users in various industries such as paper industry, petrochemical industry, palm oil industry, textile industry, and electronic industry.

Chart showing revenue from each distributing channel by customer type

| Customer Type                           | ฿ 2555        |               | ฿ 2556        |               | ฿ 2557        |               |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                         | Million Baht  | %             | Million Baht  | %             | Million Baht  | %             |
| Revenue from domestic sales             |               |               |               |               |               |               |
| (1) State and state enterprises         | 330.59        | 35.16         | 270.46        | 34.50         | 189.58        | 25.49         |
| (2) Distributor                         | 15.77         | 1.68          | 21.20         | 2.70          | 18.05         | 2.43          |
| (3) Private                             | 366.08        | 38.92         | 330.50        | 42.16         | 348.21        | 46.81         |
| <b>Total income from domestic sales</b> | <b>712.44</b> | <b>75.76</b>  | <b>622.16</b> | <b>79.37</b>  | <b>555.84</b> | <b>74.73</b>  |
| Revenue from foreign sales              |               |               |               |               |               |               |
| (1) Distributor                         | 192.17        | 20.44         | 148.18        | 18.90         | 83.23         | 11.19         |
| (2) Private                             | 35.74         | 3.80          | 13.54         | 1.73          | 104.76        | 14.08         |
| <b>Total Revenue from Foreign Sales</b> | <b>227.91</b> | <b>24.24</b>  | <b>161.72</b> | <b>20.63</b>  | <b>187.99</b> | <b>25.27</b>  |
| <b>Total Revenue from Sales</b>         | <b>940.35</b> | <b>100.00</b> | <b>783.88</b> | <b>100.00</b> | <b>743.83</b> | <b>100.00</b> |

## 2.3 Pricing policy

The company has a policy towards pricing that follows the cost plus margin rule which will be different according to each customer type and consider the competitive condition in each market- both domestic and foreign, respond to the product of each customer group which takes in consideration of the product quality and effective after-sale service. Since raw material prices such as silicon steel and copper foil are considerably high and fluctuates according to the World price with a small group of supplier, the company carefully tracks the price trend and amount of supply of each raw material.

## 2.4 Distribution and distribution channel

Distribution of electricity transformer will be proceeded by the sales department. The responsibility is divided into 2 fields- 1) domestic sales field, servicing state and state enterprise, distributing agents, and private companies, both contractors, industrial customers, and customers in different nations and 2) foreign sale field.

Apart from distribution through the company's sales department, the company also has policy to expand market to cover a wider customer base where it enters various product fairs such as electronic product and machinery fair organized by the Thai Electrical and Mechanical Contractors Association (TEMCA) and other industrial product fair which is the target fairs of the company. During each year, the company will join about 2-3 of these events and join product fairs along with the distributing agents such as ELINEX, IEEE Conference & Exhibition.

**Details of the company's distribution channel could be categorised as follow;**

### 1. Distribution through auctioning

Auctioning through price bidding is one of the main distributing channels for customers who are state enterprise producer and distributor of electricity. The process of bidding will begin with price offering. After the company studies information and analyze details of the electricity transformer to arrange documents and calculate price which will be offered. Documents used for price offering are divided to- document presenting the qualification of the bidder and technical documents. Companies entitled to participate in price bidding must pass the basic qualifications in price offering. Once the company wins the bidding, trading contract of the model and time period will be written, along with the security guarantee- most value of the guarantee is

10% of the bidding price.

## 2. Distribution through distributing agents

In consideration to establish the distributing agents, both domestic and abroad, the company focuses on experience in business, proficiency in marketing, experience in the area, financial condition, and readiness of the agents. A contract will be written for each agent, in case there are more than one agent in each country, the company will determine the area of responsibility of each agent. Distributing agents will act as a channel for distribution of the company's products. They will be responsible in marketing of the electricity transformer in each area, including giving service and maintenance of the purchased product. The company will in addition give technical support to the agents and these agents are also responsible for seeking trend of the product in their respective country of duty so that the existing product will be developed to respond directly to the market demand. Distributing via distributing agents will help the company save management cost since products are sold to distributing agents are outright and agents distribute them directly to customers.

On December, 31, 2014, the company has a total of 3 agents domestically and 6 abroad- covering Australia, Malaysia, Italy, and South Africa.

## 3. Distributing directly to customers

Marketing officer and/or sales officer will directly contact the customers and take advantage of director's relationship with the customers to find channels to continuously reach the customers. They will present and give information regarding the product and take them to visit the company's factories. This group of customers include; contractor, architecture, and customers who use the products directly such as industrial factory.

# 3 Product provision

## 3.1 Production

The company's factory is located at 149 Moo 2 Pluakdaeng-huai prap Road, Tambon Mabyangporn, Pluakdaeng District, Rayong on a 32 Rai land. All electricity transformer is a made to order product which the company has a policy of producing the exact match of product that has been requested by the customers and focus mainly on the product's quality. The technology towards the design and production, machinery used in production such as steel cutting machine, coil wrapping machine, and stove are imported from Germany. The testing process of each electricity transformer complies with international standard and controlled by a computer system

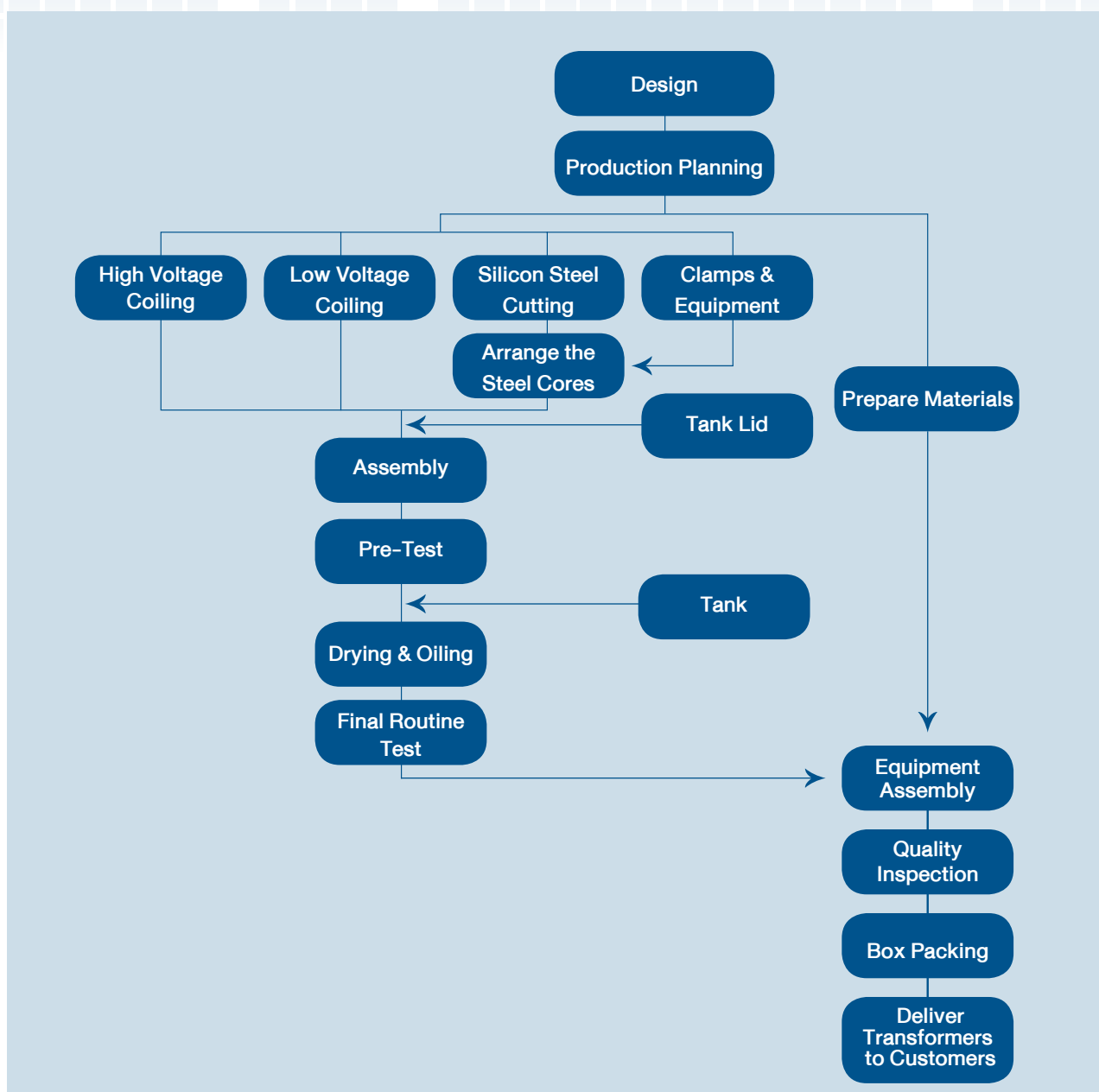
The company continually expanded production capacity in 2014 to support future business expansion by investing in the construction of factory buildings to manufacture transformer tanks in order to help reduce production costs. In addition, the company purchased two steel cutting machines from Germany to replace an old machine and add another machine, thereby doubling steel cutting capacity. Furthermore, the company purchased another medium-sized steel sorting machine, which was installed in January 2015 in response to the demand for transformers with short delivery periods, which increased competitive capabilities and supported the growth of sales figures project for five years.

## 3.2 Production Capacity

|                              | 2010    | 2011    | 2012    | 2013      | 2014      | 2557      |
|------------------------------|---------|---------|---------|-----------|-----------|-----------|
| Production Capacity (KVA)    | 952,000 | 952,000 | 976,000 | 1,215,000 | 1,482,000 | 1,701,000 |
| Production Amount (KVA)      | 562,930 | 638,238 | 952,380 | 1,379,748 | 1,236,562 | 1,322,535 |
| Production Capacity Rate (%) | 59.13   | 67.04   | 97.58   | 113.56    | 83.44     | 77.75     |

In 2014, the production capacity and the production amount increased by approximately 14% from 2013, partially due to plans for increasing production capacity to support business growth over the next five years. That is why the company has geared production capacity to meet customer needs. Hence, the company has developed employee skills for accelerated work flow, improved machine efficiency and ordered new machinery to greatly increase production capacity at the same time, e.g. the 4-coil coil winding machine. Furthermore, the company has also improved the

### 3.3 Manufacturing & Production Processes



production process to shorten production time.

The Production Process for Company's Distribution Transformers is as follows:

#### 1. Design

The company's electric transformers are custom-made to meet customer orders. The transformers are completely designed by using a modern computer program with high accuracy and capable engineers with extensive design experience to ensure the results meet the customers' specifications and purpose. The computer design can show immediately results as outline drawings.

#### 2. Production planning and equipment preparations

The electric transformer's order information from customers is entered into the ERP system and used for the purchase plans of raw materials and equipment, including the production plan. The planning will include updates to the production plans for punctual delivery as per customer orders which will require close cooperation between the Sales, Production, and Procurement Departments.

#### 3. Silicon steel cutting and steel core arrangement

The company uses silicon steel cutting machines from Germany controlled by a computer system, thereby

making it possible to cut silicon sharply, quickly and precisely in which the computer will calculate the drilling locations of the steel core and cut silicon steel at the same time, fully preserving the electrical properties of the silicon steel core. The silicon sheet will then be cut to shape and sent to the steel arranging section. For steel arrangement, the steel pieces will be placed in overlapping levels (Step-Lap) using a stacking table. The aforementioned step-lap method results in no-load loss, exciting current of the steel cores and will reduce the transformers, thus reducing noise disturbance and costs for the loss values.

#### 4. **Primary (High Voltage) and Secondary (Low Voltage) Coiling**

The company uses copper foil as the raw material used for primary coiling instead of using paper-insulated flat wires as in the past, thereby giving the transformer maximum resistance to power surges and short circuits because the copper foil has better current distribution properties combined with the secondary coiling using the long layer method with a high voltage winding machine to control the tension and arranging the wires with a computer system to make the quality of each coil layer meet uniform tension standard which will increase the effectiveness and quality of the coils.

#### 5. **Assembly of Wire Coils and Steel Cores**

This step takes place when the wire coils are assembled with the steel cores in which the primary coil is assembled near the steel core and the secondary coil is placed on top of the outer part of the primary coil. Next, these are assembled with the upper yoke in combination with the installation of the tank lid, bushing and tap changer, and the internal wiring as in the design.

#### 6. **Pre-Testing**

Once the steel core and the primary and secondary coils have been assembled, the Testing Department will then perform preliminary testing of the electric transformers as follows:

- Measurement of Winding Resistance
- Measurement of Turn Ratio
- Checking of Polarity or Vector Group
- Megger Testing

#### 7. **Drying and Oiling**

In the drying of electric transformers, the company uses a modern vacuum oven controlled by a computer system from Germany. Furthermore, the company is the only company in South East Asia to use Electric Low-Frequency Heating technology to remove moisture from the electric transformer by directly delivering low frequency electrical currents to the coils of the electrical transformer in a vacuum environment which is a way to transmit heat from the inside to the outside. This method will remove moisture from the innermost part of the coils in a short time compared to the heater which is a method used to heat the coils from the outside, but unable to remove all moisture. Furthermore, the company also uses technology for oiling the transformer in a vacuum oven in a way for the oil to fully infiltrate the insulation system and can prevent 100% of moisture from coming in to contact with the inside of the transformer, which effectively extends the transformer's usage life.

#### 8. **Final Routine Testing**

After the transformers have gone through all of the procedures, all transformers will be required to go through a final routine test. The company's testing equipment is controlled by computer and calibrated regularly, thereby yielding test results that are accurate and precise with ability to report test results immediately. The testing list is composed of the following:

- Measurement of winding resistance
- Measurement of voltage ratio and check of phase displacement
- Measurement of short circuit impedance and load loss
- Measurement of no-load loss and current
- Separate source AC withstand voltage test
- Short-duration induced AC withstand voltage test
- Measurement of insulation resistance
- Oil dielectric test
- Leakage test

### 3.4 Raw Material Procurement

The top five main raw materials used for the production of the company's electric transformers are silicon steel, enameled round wires, electric transformer tank sets, copper foil and transformer oil. The company orders the raw materials from both domestic and foreign manufacturers and/or suppliers. Therefore, the company has policy for the purchase of raw materials by considering various factors as follows:

#### 1. Raw Material Quality

Due to the fact that company policy give importance to product quality, the company emphasizes ordering quality raw materials from manufacturers/suppliers with potential and capability to deliver quality raw materials meeting specifications completely and as scheduled. The company has prepared an approved vendor list for use in screening for quality manufacturers and suppliers. In any case, the company has processes for evaluating the quality of raw materials, including visits and inspections of new manufacturers before granting approval to become the company's manufacturer/supplier. The company will review the evaluation results every six months by mainly considering the quality and delivery history of the raw materials. Furthermore, the Quality Assurance Department will conduct random testing of raw materials every time the vendor delivers the raw materials to ensure the quality of the raw materials used meet the requirements for the company's production process.

#### 2. Raw Material Delivery Times

When ordering raw materials from domestic sources, the delivery time is approximately 15-30 days, depending on the product type. When ordering from foreign sources, however, the delivery time is approximately 1.5-3 months because the delivery time needs to be considered in terms of the country from which it was ordered. Therefore, if the materials can be ordered from domestic manufacturers/suppliers with quality similar to foreign manufacturers/suppliers or with quality meeting the company's specifications, e.g. the enameled round wire, paper insulated flat wire, enameled flat wire and various transformer parts, etc., the company usually orders from domestic sources because of the shorter delivery time, thereby making it more convenient and efficient to manage the product balance.

#### 3. Raw Material Prices and Price Trends

The price of silicon steel and copper, in particular, which are considered a commodity with dynamic pricing according to the world market prices, the company considers each raw material order in terms of the order amount and an appropriate purchase time. The company follows the movements and trends of the raw material prices closely in order to effectively manage raw material costs.

#### 4. Exchange Rates

Because the company has purchased raw materials from foreign countries in proportions of 37%, 31% and 32% from 2011-2014, respectively, the company will closely track the movements with the exchange rates of various important currencies and make proper purchase/sales agreements in foreign currencies beforehand as a means of preventing risks from potential fluctuations in currency.

#### 5. No Exclusive Reliance on Only One or a Few Manufacturers/Suppliers

The company has a policy of procuring raw materials from many manufacturers/suppliers for each type of raw material, especially for silicon steel, enameled round wire, electric transformer tank set, copper foil and transformer oil. The company has only one or two main manufacturers/suppliers because each manufacturer/supplier has a minimum order amount and doing so increases the company's bargaining power with the aforementioned manufacturers/suppliers both for the price and the delivery time of raw materials. However, other than the aforementioned manufacturers/suppliers of raw materials, the company also orders raw materials from other manufacturers/suppliers to maintain good relations and minimize the risk of relying too heavily on

one or a few manufacturers/suppliers.

**Table showing the proportions of raw material purchases from domestic and foreign sources.**

|                                       | 2012          |               | 2013          |               | 2014          |               |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                       | Million Baht  | %             | Million Baht  | %             | Million Baht  | %             |
| Raw materials purchased domestically. | 398.06        | 63.00         | 324.22        | 69.00         | 302.97        | 67.00         |
| Raw materials purchased abroad.       | 230.23        | 37.00         | 146.92        | 31.00         | 147.62        | 33.00         |
| <b>Total raw materials purchased</b>  | <b>483.29</b> | <b>100.00</b> | <b>471.14</b> | <b>100.00</b> | <b>450.59</b> | <b>100.00</b> |

The company's main raw materials are described as follows:

### 1. Silicon Steel

Silicon steel is considered an essential material in the production of electric transformers and is calculated in proportions of approximately 16.97 percent and 23 percent of the total value of raw material purchases in 2013 and 2014, respectively. The company mostly imports silicon steel from distributors in South Korea and some from Japan by pre-ordering the materials on a quarterly basis. However, because the high quality silicon steel used in the production of electricity transformers is a commodity with few manufacturers, silicon steel is manufactured in limited quantities. Therefore, in case the amount of silicon steel ordered from foreign countries is insufficient to meet the company's requirements, the company orders more silicon steel from other countries, so the company will be able to manufacture electric transformers on time as scheduled by the customers.

**Table showing the proportion of silicon steel purchases from domestic and foreign sources.**

|              | 2012          |               | 2013         |               | 2014         |               |
|--------------|---------------|---------------|--------------|---------------|--------------|---------------|
|              | Million Baht  | %             | Million Baht | %             | Million Baht | %             |
| Domestic     | 9.42          | 6.70          | 8.45         | 10.57         | 3.87         | 4.74          |
| Foreign      | 131.37        | 93.30         | 71.50        | 89.43         | 77.95        | 95.26         |
| <b>Total</b> | <b>140.79</b> | <b>100.00</b> | <b>79.95</b> | <b>100.00</b> | <b>81.82</b> | <b>100.00</b> |

### 2. Enameled Round Wire

The enameled round wire is a material used for the coiling of the secondary coil which performs the task of receiving electricity from a high voltage power line and converting the electricity into a magnetic energy circling the steel core for transmission to the primary coil. The company has calculated the total amount of the enameled round wire in proportions at 15.39 percent and 100 percent of the total material cost for 2013 and 2014, respectively. Domestic manufacturers make up 100 percent of the suppliers because the enameled round wire manufactured domestically has qualities similar or equal to the wire imported from abroad but takes less time to purchase which enables the company to manage the product's balance more effectively.

### 3. Electricity Transformer Tank Set

In 2013 and 2014, the company purchased an electric transformer tank set calculated in proportions at 13.62 percent and 22.00 percent of the total material cost respectively. In 2014, the company will produce some electric transformer tank sets to help cut production costs and meet transformer needs with shorter delivery times to increase competitive capacity. However, the company continues to buy from 1-2 domestic manufacturers in line with the suitability of specifications and the number of orders, price and the product delivery time. The tanks the company manufactures take about 5-10 days and the delivery time for tanks ordered from foreign manufacturers is approximately 15-30 days.

Foreign manufacturers set a per kilogram price for electric transformer tanks. For the most part, this price will not change. In cases where manufacturers change the prices, the company needs to be notified at

least one month in advance.

#### 4. Transformer Oil

In 2013 and 2014 the company purchased transformer oil in proportions calculated at 7.72 percent and 11.00 percent of the total material cost, respectively. The transformer oil is manufactured specifically for electricity transformers and has good insulating properties. The oil performs the task of transporting the heat from inside the transformer to the outside of the tank to be emitted to the external air. In ordering the transformer oil, the production plan will be considered by ordering from domestic distributors approximately three months in advance because distributors have a minimum amount requirement for orders. Furthermore, the delivery time of the transformer oil is reconfirmed with the distributor by relying on information from close coordination between the Procurement Department and the Production Department to prevent material shortages. Consequently, the Procurement Department monitors the movement of oil prices by regularly requesting information from the distributors to effectively manage the purchasing of transformer oil.

#### 5. Copper Foil

Copper foil is a material used for primary coil coiling which performs the task of transmitting electricity from the transformer to the load or connected equipment. In 2013 and 2014, the company purchased copper foil calculated in proportions of 10.95 percent and 13.00 percent of the total material cost, respectively. All of the copper foil bought by the company comes from foreign manufacturing sources. At present, the company orders from manufacturers in Germany and South Korea and has been trying to help develop capable domestic manufacturers able to meet international standards as an option and to support the company's supply system. For the ordering of copper foil, the specified minimum purchase amount is considered (Minimum Stock). If the company's amount is down to the minimum required amount, then the ERP system will notify the employees involved to order more materials. The aforementioned system will help the company manage the material balance effectively in proper amounts.

### 3.5 Environmental Impact

In the past, the company has had no disputes or prosecutions regarding the environment. The company has concentrated on the design and development of electric transformers using less energy that are environmentally friendly together with the technology selected by the company. The company also manufactured an amorphous distribution transformer prototype in 2013 for the production process to conserve energy and effectively minimize environmental pollution, including safety to operators whether in copper foil pressing by using the cold press method which is smoke and hot steam-free, the use of painting and decorating processes of the transformers in the spray booth which have equipment set up to remove paint fumes so paint does not spread into nearby areas and damage the environment. Moreover, the paint used for the transformers is also water-based, so it is not harmful to people and the environment, including the use of a moisture removal systems and an oiling system that uses less energy and reduces hot steam released into the environment.

The company was granted ISO 14001:2004 environmental management accreditation, which is considered proof that the company has an effective environmental management system with control and improvement systems in the production process, including clear plans for managing the environment to reduce or eliminate environmental impact in compliance with regulations. The company was granted Green Industry level three from Ministry of Industry. However the company expect to grant Green Industry level forth.

## 4 Research and Development

The company has always recognized the importance of research and development because our product quality must be capable of meeting all customers' needs in order to be important. Moreover, research and development will increase the company's competitive capacity while protecting and increasing market shares for the electricity transformer industry on a continual and steady basis. The company's research and development in the past can be summarized

as follows:

- Research and development for product designs able to better respond to the demands of customers by cooperating with customers domestically and abroad.
- The research and development of products with quality meeting the product standards set forth by various related institutes and organizations both domestically and abroad. Obviously, the company's electricity transformers have been granted ISI 384-2543 certification by the Industrial Standards Institute, Ministry of Industry, and ISO 9001:2000 by the SGS institute of the United Kingdom and Thailand. Furthermore, the company is also capable of producing electric transformers meeting various international standards.
- To increase consumer confidence in the company's products, the company has submitted electricity transformers to short circuit testing. At present, the electric transformers passing the aforementioned test are transformer sizes 100KVA, 150KVA, 250KVA, 300KVA, 315KVA, 500 KVA, 750KVA, 1000 KVA, 2000 KVA and Earthing Transformer 1600A which has been certified for short circuit endurance by the CESI Institute, Italy, a world famous electrical testing institute. Moreover, the company is preparing to send a 75KVA, 300 KVA, 1500 KVA transformer for additional testing in 2015.
- The company has continuously developed machinery for work by using the company's own research and development team to create highly efficient machines meeting user needs, increase production capacity using the same amount of space and save costs used in the purchase of new machinery from abroad.
- The research and development of energy saving electric transformers by using amorphous cores, which makes it possible to produce highly efficient, environmentally friendly electric transformers. As a result, the company has successfully produced amorphous electric transformer size 500KVA, 1000 KVA as the first to function in Thailand which shows the company's capabilities and determination in research and development.
- The company conducted research and development with the Metropolitan Electricity Authority in the experimental project to install amorphous transformers in the Metropolitan Electricity Authority's distribution system, which is another important step for Thailand's transformer industry. This venture shows the company's determination to cooperate with the government sector and other private agencies in research and development to increase efficiency of transformers and power distribution systems.
- The company has conducted ongoing research and development with leading universities in Thailand in the analysis of various transformer structures to focus on developing product quality and building confidence in domestic and foreign customers.

The research and development expenditure within the company's past five years can be summarized as follows:

| Year | Research and Development Expenditures (Baht) |
|------|----------------------------------------------|
| 2009 | -                                            |
| 2010 | 203,423.61                                   |
| 2011 | 1,372,932.00                                 |
| 2012 | 2,011,800.00                                 |
| 2013 | 993,861.00                                   |
| 2014 | 5,771,858.10                                 |

# Revenue Structure

| Revenue Type                                            | 2012          |               | 2013          |               | 2014          |               |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                         | Million Baht  | %             | Million Baht  | %             | Million Baht  | %             |
| Revenue from Electricity Distribution Transformer Sales | 928.57        | 95.76         | 774.47        | 95.41         | 736.66        | 95.31         |
| - Revenue from Domestic Transformer Sales               | 703.33        | 72.53         | 614.51        | 75.71         | 550.35        | 71.21         |
| - Revenue from Overseas Transformer Sales               | 225.24        | 23.23         | 159.96        | 19.71         | 186.31        | 24.11         |
| Revenue from Raw Material Sales 1)                      | 11.78         | 1.22          | 9.41          | 1.16          | 7.16          | 0.93          |
| Consolidated Revenue from Sales                         | 940.35        | 96.98         | 783.88        | 96.57         | 743.82        | 96.24         |
| Revenue from Service Provision                          | 19.16         | 1.98          | 20.07         | 2.48          | 16.67         | 2.16          |
| Other Revenue 2)                                        | 10.19         | 1.06          | 7.73          | 0.95          | 7.96          | 1.60          |
| <b>Total Revenue</b>                                    | <b>969.70</b> | <b>100.00</b> | <b>811.68</b> | <b>100.00</b> | <b>768.46</b> | <b>100.00</b> |

- 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.

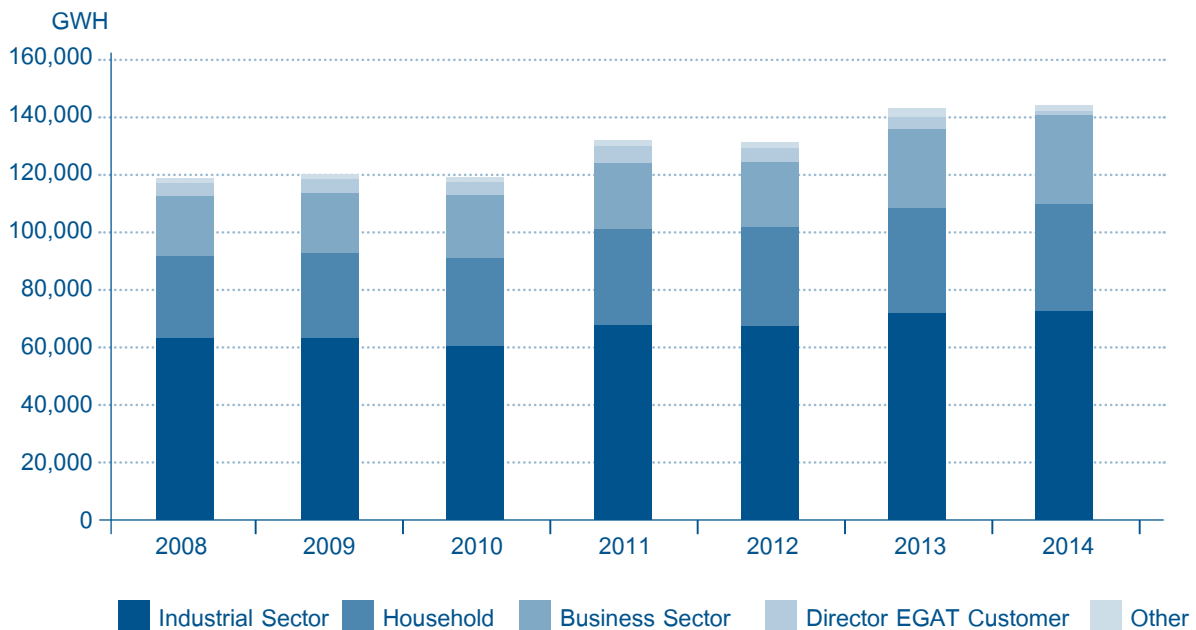


# Industry and Competition Situational Analysis

## Domestic Market

The electricity transformer manufacturing industry is related to the electricity industry, a basic necessity that plays an important role to the daily lives of people and national economic growth, because electricity transformers are equipment used to reduce the voltage of electrical currents sent from a power source at a level that suits the needs of users such as residents in homes, industrial factories, malls, or high-rise buildings such as hotels, condominiums and office buildings. Therefore, the growth of the electricity transformer industry is adjusted according to annual electricity requirements, which depend on primary factors composed of population, industrial and economic growth. Since electricity is necessary for living and economic growth, electricity users comprise a diverse range of users in industry, business, agriculture and homes. According to the graph below, which shows the amount of electricity used by user type, it is obvious that the industry sector has the highest proportion of electricity use, followed by homes and businesses. And in 2013, the electricity used by the aforementioned sectors amounted to 72,536GWH, 37,657GWH and 30,413GWH, or proportions of 44.78 percent, 23.17 percent, and 16.72 percent of all domestic electricity consumption, respectively.

Graph showing the types of electricity users from 2007-2013



Source: Electricity Policy and Planning Office, Ministry of Energy



As previously mentioned, electrical power is a necessary fundamental power. Furthermore, if supply is insufficient to meet demands, the people's living conditions and businesses as well as the national economy will be affected. Thus, the Ministry of Energy, in cooperation with the Electricity Generation Authority of Thailand, has devised a national power production development plan for Thailand. The most recent volume is the National Power Development Plan of 2010-2030 (PDP 2010). This plan projects increases in the maximum power demand from 23,249 megawatts in 2010 to 52,890 megawatts in



2030, or an average of 4.42% per year. Power production capacity will increase from 31,349 megawatts in 2010 to 65,547 megawatts in 2030, an average increase of 3.96 per year. Thus, EGAT, MEA and PEA need to come up with a plan to invest in power capacity expansion and plans to improve and expand power distribution systems concurrent with the aforementioned development plan in order to be able to produce and distribute sufficient electrical power for the nation's future power demands. The aforementioned investment will cause domestic electricity transformer manufacturing and sales to expand as well.

## International Markets

The factors affecting power demand in foreign countries are economic growth and world population growth. The Energy Information Administration (EIA) in the US estimates electricity in each continent around the world until the year 2035, which have an average growth rate of approximately 2.30 per cent per year. The growth of power production of countries outside the Organization of Economic Cooperation and Development (OECD) to be considerably higher than that of OECD countries at 3.3% versus 1.1%, respectively. Asian countries outside OECD are the places where power production growth is the highest at 4.1% per year. Thus, current trends indicate growth for

the demand for transformers to be higher than in other regions. Furthermore, when the company's 2012 foreign customer base is considered, it appears that 22.10% of foreign transformer sales came from Malaysian customers, which is the country in the region with highest power production growth. Our company has the capacity to manufacture transformers meeting international standards, thus we believe the company's transformer products can compete in the world market. Thus, there is a chance for consistent growth for the company's transformer exports in the future.

With regard to Australia, which is another important export market for the company's electricity transformers, in terms of revenue from the export sales of transformers in 2014, the mean growth rate for electricity production remains one percent. Australia is a large market with a strong industrial sector. However, since Australia's economy is rapidly slowing down, especially in the mining industry, which is encountering significant delays, the demand for electricity in the industry sector and electricity distribution system remains constant or slowed down. Nevertheless, the company has expanded into other countries in the region such as Laos, Cambodia, Burma, Malaysia, the Philippines, and Singapore, all of which are developing their industries rapidly in terms of basic industries, the mining industry, power plants, industrial estates, manufacturing industries, or foreign investments to expand customer bases.

## Competitive Conditions

The transformer market can be divided into the electricity transformer market for power systems and the electricity transformer market for distribution systems. Previously, all of the company's sales were from distribution transformer. There are about 24 manufacturers in the power distribution transformer comprising of small manufacturers that emphasize price strategy rather than quality, and medium and large manufacturers that focus on product quality. Therefore, each group of manufacturers has different customer groups. The company is a medium-sized manufacturer producing high quality

transformers to support the work operations of both public and private sector companies. The company's products are TIS 384-2543 accredited and have passed short circuit testing by the CESI in Italy and the KEMA Institute of the Netherlands. Thus, the company's product quality is accepted by domestic and foreign customers; furthermore, our quality is constantly improving. These improvements are constantly enhancing the company's competitive capacity to equal to exceed that of larger manufacturers. Small manufacturers focusing on small groups of customers and putting emphasis on price strategy without giving consideration to product quality are not in the same market with the company.

New manufacturers entering the industry and developing electricity transformer manufacturing processes in order to achieve quality meeting international standards are difficult because they require costly investments for machinery. More importantly, know-how and advanced technology with skilled personnel and production expertise are also essential. Thus, domestic competition comes from about seven manufacturers with technology and ability to manufacture high quality transformers. These manufacturers all require manufacturing technology to enable their products to produce high quality transformers accepted by customers. The company manages production costs in order to achieve maximum efficiency with the goal of building capacity for consistent and sustainable competition. In addition to product development, we also emphasize building good relationships with every customer group to maintain customer bases and continually expand customer bases to have coverage. We can be considered as an organization that pays attention to every step and detail in line with our slogan, "Quality of Detail".



# Risk Factors

## 1 Risks of Revenue Fluctuations and Dependence on Large Customers

The company has revenue from the sales of electricity transformers to customers who produce and distribute state enterprise electricity composed primarily of the Metropolitan Electricity Authority (MEA) and the Provincial Electricity Authority (PEA). The aforementioned customers amount to approximately 25-36 percent of overall sales revenue with a high proportion potentially affecting the company's income if lost. Furthermore, revenue generated by the sales of electricity to the aforementioned group of customers is primarily dependent upon the company's ability to win project auctions, economic conditions and budget of each agency. Therefore, if the company loses auctions, or if auction dates are changed, or investment budgets for the purchase of electricity transformers decrease, the company's revenue and performance results will decrease. Thus, the company is shifting focus its to expanding its customer base in the private sector as evident in the proportionate increase of electricity transformer sales to private customers that increased from 40 percent in 2012 to 49 percent of electricity transformer sales in 2014. Moreover, the company has given consideration to increasing product diversity to meet the demands of all customer groups. At present, the company is capable of producing electricity transformers with up to 30 MVA and maximum electrical system of 72 KV and developed the capacity to manufacture amorphous electricity transformers, which are no-load-loss 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 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 2014, the company had revenue from the sales in foreign currency equal to 187.99 million baht, which was 25.27 % of all sales revenue. At the same time, the company has also ordered the purchases of raw materials from foreign countries, which must be paid in foreign currencies, thereby enabling the company to partially 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 Dependence on Main Executives in Conducting Business

The main executives in terms of the company's production and sales are persons with over 30 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. Furthermore, in 2014 the company drafted a succession plan to develop personnel prepared to accept important positions of the company in the future. Consequently, the company is confident that the aforementioned policy will be able to preserve the company's personnel in the long term and allow for continuous implementation of the company's work, thereby causing the company to be confident that the aforementioned policies will maintain the company's personnel sustainably.

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

As of 31 December 2014, the holdings of Mr. Poonhiphat Tantanasin's group accounted for 124,014,600 shares, which is 62.01% 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 Top Ten Major Shareholders, as of 30 December 2014, which is the book closing date, is described below:

| No. | Shareholder                        | Number of Shares<br>(Shares) | Shareholder Ratio<br>(%) |
|-----|------------------------------------|------------------------------|--------------------------|
| 1   | Tantanasin Group                   |                              |                          |
|     | 1.1 Miss Sasikarn Tantanasin       | 45,000,000                   | 22.50                    |
|     | 1.2 Mr. Patcharapong Tantanasin    | 41,720,000                   | 20.86                    |
|     | 1.3 Mrs. Alisara Charuenvanich     | 36,696,000                   | 18.35                    |
|     | 1.4 Mr. Poonphiphat Tantanasin     | 598,600                      | 0.30                     |
|     | Tantasin Group have shares totally | 124,014,600                  | 62.01                    |
| 2   | Maybank Kim Eng Securities PTE.LTD | 8,761,000                    | 4.38                     |
| 3   | Thai NVDR Co., Ltd.                | 3,203,900                    | 1.60                     |
| 4   | Mr. Warrapot Hirunpiwong           | 3,000,000                    | 1.50                     |
| 5   | Mr. Intharat Wongsri               | 2,100,000                    | 1.05                     |
| 6   | Mr. Prasert Lohawiboonthrup        | 1,539,200                    | 0.77                     |
| 7   | Mr. Supakorn Emasuda               | 1,500,000                    | 0.75                     |
| 8   | Mrs. Kasernsirin Boonta            | 1,188,800                    | 0.59                     |
| 9   | Mr. Panom Kaunsathaporn            | 1,140,000                    | 0.57                     |
| 10  | Mr. Sutee Ariyachatpadoongkit      | 1,103,000                    | 0.55                     |
|     | Other Shareholders                 | 52,449,500                   | 26.22                    |
|     | <b>Total</b>                       | <b>200,000,000</b>           | <b>100.00</b>            |

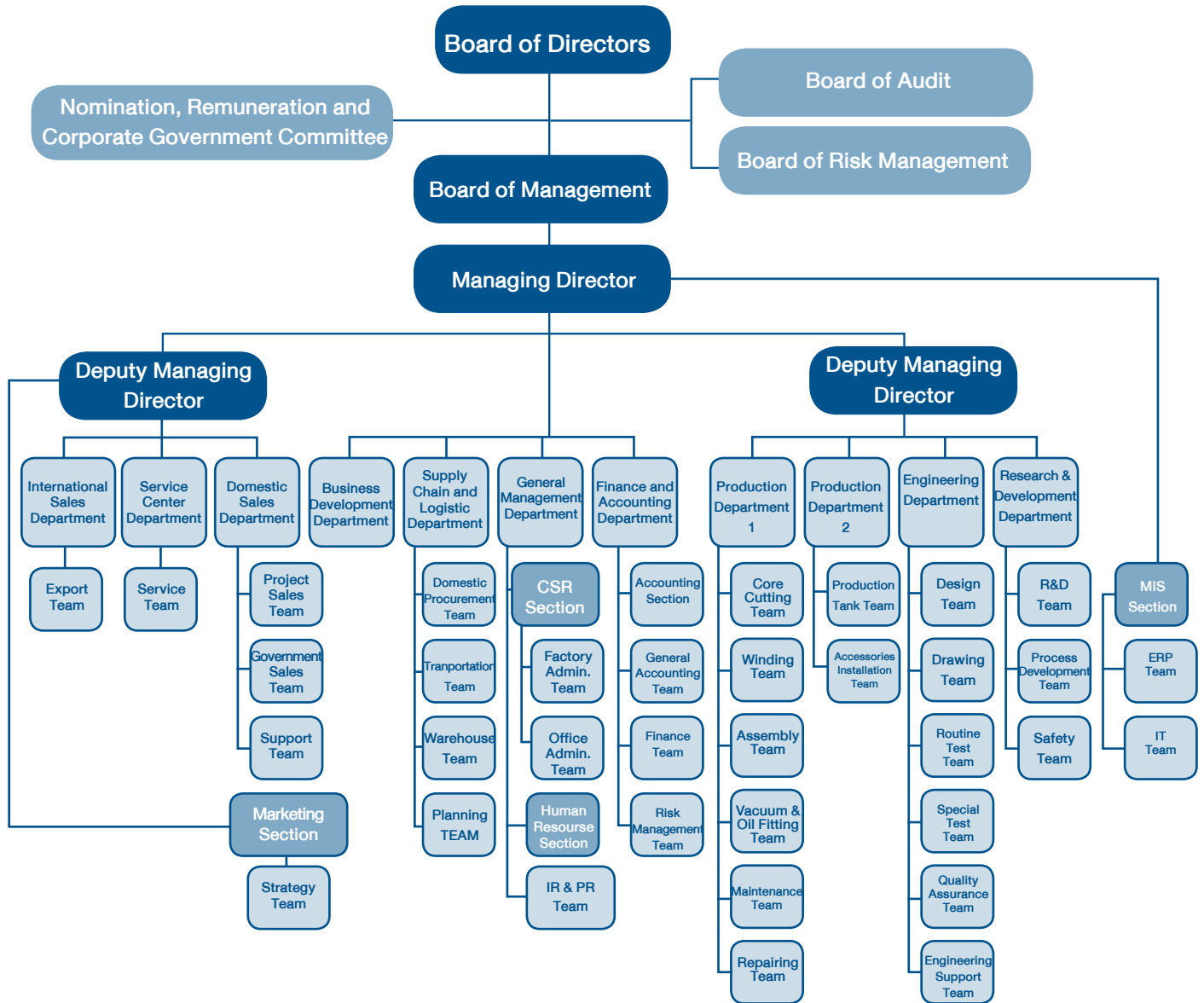
## Dividend Payment Policy

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 Infrastructure

## 1. Management Structure

As of 31 December 2014, the company had the following corporate management structure:



## 1 Board of Directors

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

| First-Last Name                | Position                                     |
|--------------------------------|----------------------------------------------|
| 1. Prof. Dr. Somchob Chaiyavej | Chairman and Independent Director            |
| 2. Mr. Poonphiphat Tantanasin  | Director                                     |
| 3. Mr. Siripong Boontam        | Director                                     |
| 4. Mr. Nakorn Phraprasert      | Director and Independent Director            |
| 5. Mr. Padetpai Meekun-iam     | Director and Chairman of the Audit Committee |
| 6. Mr. Polrachot Piyathanom    | Independent Director and Audit Director      |
| 7. Mr. Nattapol Lilawattananan | Independent Director and Audit Director      |

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. 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.

## 2. Executive Board of Directors

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

| First-Last Name                    | Position                |
|------------------------------------|-------------------------|
| 1. Mr. Poonphiphat Tantanasin      | Chief Executive Officer |
| 2. Mr. Siripong Boontam            | Executive Director      |
| 3. Mr. Ruangchai Kritsnakriengkrai | Executive Director      |
| 4. Miss Boonpa Ruddist             | Executive Director      |
| 5. Miss Chotika Chumpoon           | Executive Director      |

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.

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.

### 3. Board of Audit

The entire Board of Audit is composed of three independent directors who possess knowledge, ability, experience and qualifications in line with the SET's regulations. The Board is composed of non-executive directors with office terms of three years each.

| First-Last Name |                              | Position                       |
|-----------------|------------------------------|--------------------------------|
| 1.              | Mr. Padetpai Meekun-iam      | Chairman of the Board of Audit |
| 2.              | Mr. Polrachot Piyathanom*    | Audit Director                 |
| 3.              | Mr. Nattapol Lilawattananan* | Audit Director                 |

Remarks: \* A director with sufficient knowledge and experience for reviewing the credibility financial statements'.

Miss Pavinee khungeakkavin is the Internal Auditor and Secretary of the Board of Audit.

#### Scope of Duties and Responsibilities for the Board of Audit

- To review the accuracy and sufficiency of the company's financial reports.
- To review the suitability and effectiveness of the company's internal control systems and internal audits, and to consider the independency of the internal audit agency, and to approve consideration of the appointment, transfer, termination of the head of internal audit or any other agencies responsible for internal audits.
- To audit the company's compliance with the laws governing securities and exchange markets, the specifications set forth by the Stock Exchange of Thailand and the laws related to the company business.
- To consider, select and propose the appointment of independent individuals in order to serve as the company's auditors, to propose remuneration for the aforementioned persons, and to attend meetings with the auditors without the management at least once a year.
- To consider related transactions or transactions with potential conflicts of interest for compliance with the laws and regulations of the stock market in order to ensure that the aforementioned transactions are reasonable and in the company's optimal interests.
- To prepare Board of Audit reports for dissemination in the company's annual report. The aforementioned reports must be signed by the chairman of the Board of Audit and must contain the following minimum information:
  - Opinions on the accuracy, completeness and credibility of the company's financial report.
  - Opinions on sufficiency of the company's internal control system.
  - Opinions on legal compliance on securities and exchange, and securities market regulations or laws related to the company's business.
  - Opinions on auditor's suitability.
  - Opinion on potential conflict of interest transactions.
  - Number of Board of Audit's meetings and meeting attendance by each audit director.
  - Overall opinion or observation rendered by Board of Audit receives on execution of duty in line with charter.
  - Other transactions that should be known by shareholders and general investors with the scope of the duties and responsibilities set forth by the board of directors.
- Any other operations assigned by the board of directors with the Board of Audit's approval.

#### 4. Nomination, Remuneration and Corporate Governance Committee

| First-Last Name             | Position                                                                     |
|-----------------------------|------------------------------------------------------------------------------|
| 1. Mr. Polrachot Piyathanom | Chairman of the Nomination, Remuneration and Corporate Governance Committee. |
| 2. Mr. Nakorn Phraprasert   | Director                                                                     |
| 3. Mr. Poonhipat Tantanasin | Director                                                                     |

Miss Boonpa Ruddist serves as the Secretary of the Nomination, Remuneration and Corporate Governance Committee. The Nomination, Remuneration and Corporate Governance Committee serves for three years per term.

#### Scope, Authority, Duties and Responsibilities of the Nomination, Remuneration and Corporate Governance Committee

Designates criteria and policy for recruiting company directors, sub-directors and high-ranking executives by considering the suitability of numbers, structures and composition of the Board of Directors along with designating director qualifications for presentation to the company's Board of Directors and/or the general meeting of shareholders to request approval, depending on the case.

#### Executive Recruitment and Appointment

1. Sets criteria and policy for recruiting company directors, sub-directors and high-ranking executives by considering the suitability of numbers, structures and composition of the Board of Directors along with setting director qualifications for presentation to the company's Board of Directors.
2. Considers recruitment, selection and currently qualified persons to the positions of directors whose terms are complete and/or in cases of vacant positions and/or additional appointments.
3. Considers and screens persons qualified for becoming Managing Directors to fill vacant positions, including the specification of succession plans for high-ranking executives.
4. Any other operations involved with recruitment according to assignments by the company's Board of Directors.
5. Assesses the performance of the Chief Executive Officer (CEO) for presentation to the meeting of the company's Board of Directors for consideration of approval.

#### Remuneration

1. Sets policies and criteria for paying remuneration to the company's Board of Directors, the Audit Committee, the Executive Committee and high-ranking executives by presenting to the company's Board of Directors.
2. Specifies necessary and appropriate amounts of annual monetary and non-monetary remuneration for the company's Board of Directors, the Audit Committee, the Recruitment, Remuneration and Good Governance Committee and the Executive Committee by considering amounts commensurate with duties, responsibilities, performance, comparisons with other companies in similar businesses and benefits expected from directors to present to the company's Board of Directors for consideration and present to the meeting of shareholders in order to request approval, depending on the case.
3. Considers the review of policies and criteria in setting remuneration and remuneration payment systems as deemed commensurate with duties and responsibilities in addition to reviewing concurrence with the company's performance and market conditions by primarily considering future benefits for the company.
4. Reports on policies and principles/reasons for remuneration set for directors and executives according to the specifications of the Stock Exchange of Thailand by disclosing in the annual information disclosure form (56-1) and the company's annual report (56-2).
5. Sets annual bonus and salary raise rates based on the company's performance.
6. Considers filtering the company's salary structures and other benefits and returns.
7. Performs any other relevant actions as assigned by the company's Board of Directors. The Administrative Department and various agencies are required to report or present information and relevant documents to the Recruitment, Remuneration and Good Governance Committee to support the Recruitment, Remuneration and Good Governance Committee in successfully operating according to assigned duties.

## Corporate Governance

1. Considers reviews and presentations for the company's Board of Directors to approve of policies concerning good governance, business ethics, corporate social and environmental responsibility with sustainable development of the company and any other policies or practice guidelines promoting the company's sustainable growth.
2. Ensures that the Administrative Department implements various policies/practice guidelines in 1 for ongoing company development. The aforementioned policies and guidelines must be in line with and appropriate for the company's business, recommendations of associated agencies and comparable to international standards.
3. Follow-up and review various work systems in the organization for concurrence with good ethics and practice guidelines according to outlined policies and practice guidelines.
4. Supervise the company's operations according to good governance principles of agencies with regulatory authority in compliance with the law such as the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand, etc.
5. Report the organization's performance in line with corporate governance policies and other related policies to report to the company's Board of Directors and external organizations as appropriate.

## 5. The Board of Risk Management

| First-Last Name                     | Position                                 |
|-------------------------------------|------------------------------------------|
| 1. Mr.Poonphiphat Tantanasin        | Chairman of The Board of Risk Management |
| 2. Mr.Siripong Boontam              | Director                                 |
| 3. Mr. Ruangchai Krissanakriangkrai | Director                                 |
| 4. Miss Boonpa Ruddist              | Director                                 |
| 5. Mr. Charoensak Sarawong          | Director                                 |
| 6. Mr. Chanvut Meeploi              | Director                                 |
| 7. Mr. Atipat chochaithanasin       | Director                                 |
| 8. Miss Suanya Phummanulap          | Director                                 |
| 9.Mr. Nipat Chingchamikorn          | Director                                 |
| 10.Miss Sasikarn Tantanasin         | Director                                 |
| 11. Miss Chotika Chumpoon           | Director & Secretary                     |

### Scope and Responsibilities of the Board of Risk Management

1. To set overall risk management policy and guidelines covering various types of important risks such as financial risks, exchange rate risks, marketing risks and other risks potentially affecting the company's operations and reputation for presentation to the board of directors for approval.
2. To perform assessment and analysis on potential risk factors including the setting of risk measuring criteria and acceptable risk ceiling.
3. To establish processes for managing, assessing, controlling and monitoring risks; to develop processes in to achieve optimum efficiency and suitability in managing all types of potential risks.
4. To regularly report to the board of directors on the management, operations and corporate risk status and changes as well as areas for improvement or correction and notify the Board of Audit to review the sufficiency and suitability of risk management.
5. Manages and controls overall corporate risk management for concurrence with good governance principles.
6. Reviews the sufficiency of policy and risk management systems as well as effectiveness of the system and compliance with set policy.
7. Arranges for a risk management team as necessary.
8. Executes duties as assigned by the board of directors.
9. The board of risk management holds meetings at least once every three months, and reports to the Board of Audit and the board of directors for awareness every quarter.

## At QTC Energy PCL.,

We recognize the importance of good corporate management in driving the organization toward stable growth and business expansion, steady financial status and earning apposite dividends for shareholders. Thus, the company has deemed it fitting to employ risk management practices with operational frameworks and risk management processes compliant with the standards of the Committee on Sponsoring Organizations of the Treadway Commission (COSO), which is an international standard, in order ensure that the people involved have understanding and proper application of risk management principles.

### Therefore, the Risk Management Committee specified the following corporate risk management policies:

1. Risk management is the responsibility of employees at all levels who are required to take into consideration the operational risks existing in their respective agencies and organization as well as prioritize risk management on appropriate and proper levels.
2. All departments are to be responsible for risk assessment; determining risk indicators, preventive guidelines and mitigation or prevention mitigation of potential risks, including regular monitoring and evaluation of risk management. Furthermore, all departments are required to make risk reports according to the operational framework and procedures for risk management.
3. Risk management procedures must be secondary to the decision-making, strategy planning, work plans and operations of the company.
4. When employees witness or become aware of risks with potential Impact on the company, the employee is required to immediately report the aforementioned risks to the persons involved for further risk mitigation.
5. Constantly promote and provide knowledge and understanding about risk management procedures and guidelines for executives and employees in order to emphasize the importance of awareness and participating in the organization's risk management as part of a culture leading to value creation.

## 6. Executives

The company has a total of eleven executives as follows:

| First-Last Name                     | Position                                           |
|-------------------------------------|----------------------------------------------------|
| 1. Mr. Poonphiphat Tantanasin       | Chief Executive Officer & Managing Director        |
| 2. Mr. Siripong Boontam             | Deputy Managing Director                           |
| 3. Mr. Ruangchai Krissanakriangkrai | Deputy Managing Director                           |
| 4. Miss Boonpa Ruddist              | Manager, General Management Department             |
| 5. Miss Chotika Chumpoon            | Manager, Finance & Accounting Department           |
| 6. Mr. Charoensak Sarawong          | Manager, Production Department 1                   |
| 7. Mr. Chanvut Meeploi              | Manager, Engineering Department                    |
| 8. Mr. Atipat chochaithanasin       | Manager, Supply Chain and Logistics Department     |
| 9. Mr. Miss Suanya Phumomanularp    | Manager, Domestic Sales Department                 |
| 10. Mr. Nippat Jingjamikorn         | Manager, Customer Care & Service Center Department |
| 11. Miss. Sasikanjana Tantanasin    | Manager, Business Development Department           |

### 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.

**The Chief Executive Officer is under obligation to perform the following:**

1. Serve as Chairman at meetings of the company's Board of Directors.
2. Call the meeting of the company's Board of Directors.
3. Cast the deciding vote in cases where the meeting of the company's Board of Directors has voted and found the vote to be tied.
4. Serve as the Chairman at shareholders' meetings.

**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:

|     |                                                                                                                               | Department 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:<br>- Purchases of machinery according to investment budgets.<br>- Purchases of other assets. | -<br>-                      | No more than 2 million baht<br>No more than 2 million baht | No more than 3 million baht<br>No more than 3 million baht | No more than 24 million baht<br>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 production2.                                                           | 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 facilities3.                                                        | No more than 200,000 baht   | No more than 2 million baht                                | No more than 3 million baht                                | > 3 ล้านบาท                                                  |

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.

## 2. 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 to perceive problems and threats during the last year and improve the efficiency of operation of Board of Directors because they can perceive their responsibilities and duties explicitly. In addition to improve the relationship between Board of Directors and Management Department as well as improve direction of problem solving to meet with good corporate governance. Assessment criteria has the following details: Performance, policies, correctional guidelines in cases where operations did not occur according to specifications, preparations before attending meetings, practices concerning the governance of the company's business, performance of duties as the Chairman and risk management monitoring, etc.

### Managing Directors' Performance Evaluation

The company's board of directors has scheduled annual evaluations of the performance of directors. The company adapted its evaluation form based on a sample self-evaluation form for directors of the Stock Exchange of Thailand as deemed fitting and concurrent with the organization's goals and strategic plans. The assessment criteria are divided into the following topics: 1. Leadership; 2. Setting Strategy; 3. Strategy Performance; 4. Planning and Financial Performance; 5. Relationship with the Board of Directors; 6. External Relationships; 7. Management and Personnel Relationships; 8. Handing Over Positions; 9. Product and Service Knowledge; 10. Personal Qualities. The scores of the board of directors' self-evaluation were submitted to statistical data analysis for the purpose of improvement and development of various and different aspects as well as the consideration of setting remuneration rates and commensurate incentives.

### 3. Board of Directors Structure and Components

The company's board of directors allocated for a suitable number of directors based on its business size. At present, there are seven directors; two are executive directors and five are non-executive directors. All five non-executive directors are independent directors.

1. Prof. Dr.Somchob Chaiyavej
2. Mr. Padetpai Meekun-iam
3. Mr. Pholrach Piathanom
4. Mr. Natthaphon Lilawatthananon
5. Mr. Nakorn Phraprasert

#### The definition of its independent directors

The company has determined the definition of its independent directors as the director who is non-executive director and do not involve in the management permanently, and is not the company's major shareholder. The company has specified requirements equal to the minimum requirements set by the SEC and the SET. Nominated independent directors of the company are fully qualified according to the definitions as below:

- (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

- (9) Do not engage in the same business and competing with the company or its affiliates. Do not hold significant portion of shares in the limited partnership, or be a management director, employee, officer, consultant who earned permanent salary, or hold more than half of voting shares in other companies that engage in the same business and competing significantly with the company or its affiliates.

## 4 Appointment of Directors and High-Ranking Executives

The company's plan is to appoint directors and high-ranking executives appropriately and transparently to ensure that the company has directors and high-ranking executives who are professionals capable of independent management from major shareholders or other shareholders. The Recruitment Committee determines remunerations and corporate governance, and is responsible for appointing suitable people into selection according to specified selection methods, the criteria and selection method of which is dependent upon the propriety of the company's situation during which time.

## 5 Director and Executive Development

- 5.1 The company's board of directors has policy for promoting and facilitating training and education the people involved in directing and managing the company's business, which includes the company's directors, auditing directors, executives and secretaries to ensure that operations are constantly improving, which includes organizations such as the Thai Institute of Directors Association (IOD).
- 5.2 The company has prepared documents and information beneficial to the performance of new directors to accompany business study manuals and practice guidelines of the company to new directors.
- 5.3 The company has plans to ensure that selection of people who undertake responsibilities in any important executive position is fitting and transparent for the purpose of ensuring that the company has professional executives capable of independent management from major shareholders or other shareholders. The company's board of directors makes considerations and reviews the aforementioned plans annually. Executives appointed to succeed the aforementioned positions will be provided with an individual development plan to prepare them for future promotions.

## 6 Board of Directors Meetings

As a means of supporting and promote the company, the board of directors is to attend every company board of directors' meeting, for which the company scheduled meetings in advanced every year in order to notify the board of directors in each meeting. Clear meeting agendas are set whether they are memoranda or agendas for consideration. Documents completely accompany meetings in sufficient numbers of decision-making and are delivered to the board of directors at least seven days in advance in order to ensure that every member of the board of directors has the ability to discuss and express opinions transparently. The chairman of the board will evaluate comments and summaries obtained from the meeting. Meeting reports are created by the company's secretaries, and after approved by the meeting, are stored in document cabinets on the second floor of the company's main office in Bangkok, where documents can be verified and audited by directors and other people involved. Finally, the company has set policy concerning the quorum for meetings of the board of directors in which at least half of the all directors must be present in order to form a meeting quorum.

The attendance details of each director for 2014 are summarized as follows:

| First-Last Name                   | Position                                                                                        | Meeting Attendance/All Meetings (Times) |                   |                     |
|-----------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------|---------------------|
|                                   |                                                                                                 | Company Director                        | Auditing Director | Nomination Director |
| 1. Prof.Dr. Somchop Chaiyavej     | Chairman of the Board                                                                           | 5/5                                     | -                 | -                   |
| 2. Mr. Padetpai Meekun-iam        | Chairman of the Board of the Auditing Committee/ Director                                       | 5/5                                     | 5/5               | -                   |
| 3. Mr. Nattharphon Lilawatthanun* | Director/Auditing Director                                                                      | 5/5                                     | 4/5               |                     |
| 4. Mr. Pholrach Piathanom         | Chairman of the Nomination, Remuneration and Corporate Governance Committee / Auditing Director | 5/5                                     | 5/5               | 2/2                 |
| 5. Mr. Nakorn Pharaprasert        | Director/the Nomination, Remuneration and Corporate Governance Director                         | 5/5                                     | -                 | 2/2                 |
| 6. Mr. Poonphiphat Tantanasin     | Director/the Nomination, Remuneration and Corporate Governance Director                         | 5/5                                     |                   | 2/2                 |
| 7. Mr. Siripong Boontam           | Director                                                                                        | 5/5                                     |                   |                     |

Remarks: \*Unable to attend the meeting due to going aboard

## 7 Term of Office

The company's board of directors is composed of skilled and knowledgeable people. The company has made arrangements as compatible with the size of its business. At present, the company has a total of seven directors; two are executive directors and five are non-executive and independent directors for a number over 70 percent of the entire board of directors. The descriptions of the positions held by individual directors are as follows:

| First-Last Name                  | Year of Appointment | Most Recent Date of Selection | Type of Director                            | Recruited/ Appointed to Directorship in 2014 | Next Appointment |
|----------------------------------|---------------------|-------------------------------|---------------------------------------------|----------------------------------------------|------------------|
| 1. Prof.Dr. Somchop Chaiyavej    | 2011                | 2012                          | Chairman of the Board/ Independent Director | No                                           | 2018             |
| 2. Mr. Padetpai Meekun-iam       | 2011                | 2013                          | Independent Director                        | No                                           | 2016             |
| 3. Mr. Nattharphon Lilawatthanun | 2011                | 2012                          | Independent Director                        | No                                           | 2018             |
| 4. Mr. Pholrach Piathanom        | 2011                | 2014                          | Independent Director                        | No                                           | 2017             |
| 5. Mr. Nakorn Pharaprasert       | 2011                | 2013                          | Independent Director                        | No                                           | 2016             |
| 6. Mr. Poonphiphat Tantanasin    | 2011                | 2014                          | Executive Director                          | No                                           | 2017             |
| 7. Mr. Siripong Boontam          | 2011                | 2012                          | Executive Director                          | No                                           | 2018             |

Remarks: All five independent directors hold the position of independent director beginning from the year of appointment for a term of four years.

## 8. Corporate Secretary

As a means of building knowledge about the work of the corporate secretary and to enable efficient performance of the corporate secretary's duties, the company has stipulated that the corporate secretary be required to pass various training courses such as basic legal courses and courses on criteria associated with listed companies, courses for corporate secretaries and attendance at various seminars held by the Stock Exchange of Thailand and the Thai Institute of Directors (IOD).

In Board of Directors Meeting No. 1/2554 on 24 February 2011, the company's board of directors passed a resolution for the appointment of Boonpa Ruddist, a person possessing knowledge and ability who has passed training courses in relation to the performance of the duties of company secretaries, to serve as the Corporate Secretary in compliance with Section 89/15 of the Securities and Exchange Act of B.E. 2535 (1992), revised with the Securities Exchange Commission Act (No.4) of B.E. 2551 (2008). The duties and responsibilities of the Corporate Secretary are as follows:

1. Serves as a center for storing various important documents/certificates.
2. Registers directors and reports direct and executive stakeholders.
3. Makes arrangements for meetings of the board of directors and shareholders, meeting invitations and minutes to the meetings.
4. Reports on resolutions and policies passed by the board of directors and shareholders' meetings to related executives and follows up on the aforementioned resolutions and policies through the chief executive officer.
5. Observes and makes arrangements for the disclosure of information and information technology reports on the areas under his/her responsibility to agencies; directs and supervises in compliance with the law, regulations and policies concerning the company's disclosure of news and information.
6. Contacts and communications with ordinary shareholders to inform them of various shareholders' rights/privileges and company news.
7. Delivers news and information to directors on topics concerning the company's business operations in order to accompany the performance of directors' duties.
8. Makes arrangements for the provision of advice for newly appointed directors.
9. Other matters as assigned by the company's board of directors.

#### **Brief Background of Corporate Secretary**

Mrs. Boonpa Ruddist

Education: Bachelor of Business Administration, Kaset School of Graduate Studies

Training Courses: Company Secretary Program (CSP), Class No. 29/2009  
Effective Minute Taking (EMT), Class No.13/2009  
Board Reporting Program (BRP), Class No. 2/2010  
Company Reporting Program (CRP), Class No. 1/2011

Qualifications: Ability to coordinate tasks, summarize topics and arrange minutes to meetings; competent work performance, creative thinking, good skill in interpersonal relationships, leadership capacity, communications techniques and strategic planning.

## **9. Remuneration for Directors and Executives**

### **9.1 Monetary Remuneration**

#### **Remuneration for the Board of Directors**

At the shareholders general meeting in 2014 which was held on 22 April 2014, a resolution was passed on the setting of director remuneration for 2014 in the form of meeting gratuities and annual remuneration for a total amount not to exceed 4,200,000 baht (four million and two hundred thousand baht only), which the company paid as follows:

(Unit: Baht)

| Name                           | Position                                   | Meeting Gratuity |                |                                                            | Annual Remuneration | Total            |
|--------------------------------|--------------------------------------------|------------------|----------------|------------------------------------------------------------|---------------------|------------------|
|                                |                                            | Company Director | Audit Director | Nomination, Remuneration and Corporate Governance Director |                     |                  |
| 1. Prof. Dr. Somchob Chaiyavej | Chairman                                   | 75,000           | -              | -                                                          | 480,000             | 555,000          |
| 2. Mr.Padetpai Meekun-iam      | Chairman of the Audit Committee / Director | 50,000           | 75,000         | -                                                          | 250,000             | 375,000          |
| 3. Mr. Polrachot Piyathanom    | Director / Audit Director                  | 50,000           | 40,000         | -                                                          | 250,000             | 340,000          |
| 4. Mr. Nattapol Lilawattananan | Director / Audit Director                  | 50,000           | 50,000         | 30,000                                                     | 250,000             | 380,000          |
| 5. Mr. Nakorn Phrprasert       | Director                                   | 50,000           | -              | 20,000                                                     | 250,000             | 320,000          |
| 6. Mr.Poonphiphat Tantanasin   | Director                                   | 50,000           | -              | 20,000                                                     | 250,000             | 320,000          |
| 7. Mr.Siripong Boontam         | Director                                   | 50,000           | -              | -                                                          | 250,000             | 300,000          |
| <b>Total</b>                   |                                            | <b>375,000</b>   | <b>165,000</b> | <b>70,000</b>                                              | <b>1,980,000</b>    | <b>2,590,000</b> |

**No other form of remuneration.**

#### **Executive Remuneration**

In 2013 and 2014, the company paid remuneration to executives amounting to 18.82 million baht and 16.67 million baht, respectively. The aforementioned remuneration includes salaries, bonuses and providence fund contributions. The only other form of remuneration would be a company car.

## **10. Supervision of Subsidiaries' and Affiliates' Operations**

At present, the company has neither subsidiaries nor affiliates. Thus, there is no supervision over the operations of subsidiaries and affiliates. However, if in the future the company has subsidiaries or affiliates, the board of directors will set policy for the supervision of the subsidiaries and affiliates.

## **11. Securities Trading Policy and Using the Company's Inside Information and Trade Secrets**

1. The company strictly forbids its directors, executives, employees and staff, including the spouses and under-age children of the aforementioned, from trading the company's shares during a period of one month before the financial statements are disclosed to the public.
2. The company forbids its directors, executives, employees and employees, including spouses and under-age children of the aforementioned, from using the company's internal data available or in a way which might affect the company's security price changes which have not yet been disclosed to the public for the purpose of purchasing, selling, purchase/sale proposals or persuading other individuals to purchase, sell, propose to purchase/sell the company's securities, whether directly or indirectly, before the data is disclosed to the public, whether the aforementioned actions are for personal gain or the gain of others, or aimed at having the other persons take the aforementioned actions with the benefit of personal gain/remuneration. Any person found in violation will be subject to penalties according to the disciplinary measures set forth by the company.
3. The company's directors, executives, staff and employees are forbidden from disclosing company secrets and/or internal data to other individuals for personal gain or for the gain of other individuals, whether directly or indirectly, with or without remuneration.

4. The interests and trade secrets of the company or the company's customers must be maintained. Disclosure of company's trade secrets to outside individuals, especially to the company's rivals, even when a director, manager or employee term of office has expired is strictly forbidden.

The company's policy on securities trading, the use of inside information and trade secrets is recorded in the code of conduct which the company has made into a manual book given to all directors, executives and employees, all of whom are required to sign to assure complete compliance. Moreover, compliance with the code of conduct is supervised. The full version of code of conduct can be viewed at [www.qtc-energy.com](http://www.qtc-energy.com).

## 12 Personnel

### 1 Number of Employees

As of 31 December 2014, the company had a total of 205 employees (not including eleven executives) with 205 as regular employees no have daily employees according to the following details:

| Department                     | Regular Staff<br>(persons) | Daily Staff<br>(persons) | Total<br>(persons) |
|--------------------------------|----------------------------|--------------------------|--------------------|
| Customer Care & Service Center | 14                         | -                        | 14                 |
| SupplyChain and Logistics      | 24                         | -                        | 24                 |
| International Sales Department | 11                         | -                        | 11                 |
| Domestic Sales Department      | 2                          | -                        | 2                  |
| Administration                 | 11                         | -                        | 11                 |
| Business Development           | -                          | -                        | -                  |
| Accounting and Finance         | 10                         | -                        | 10                 |
| Production 1                   | 66                         | -                        | 66                 |
| Production 2                   | 33                         | -                        | 33                 |
| Engineering                    | 25                         | -                        | 25                 |
| Security                       | 3                          | -                        | 3                  |
| Research and Development       | 1                          | -                        | 1                  |
| MIS                            | 3                          | -                        | 3                  |
| Marketing                      | 2                          | -                        | 2                  |
| <b>Total</b>                   | <b>205</b>                 | <b>0</b>                 | <b>205</b>         |

Remarks: Under the company's organizational structure, the Customer Care and Service Center Department, the Supply Chain and Logistics Department, the International Sales Department, the Domestic Sales Department, the Management Department, the Accounting and Finance Department, the Business Development Department and the MIS Department report directly to the Managing Director, while the Production and Engineering Departments, the Security Department and Research and Development Department report to the Deputy Managing Director.

### 2 Labor Disputes

-None-

### 3 Employee Remuneration

The board of directors has set policies and practice guidelines concerning employee remuneration and benefits as follows:

#### Monetary Remuneration

In 2014, the company paid remuneration to its employees (not including executives) amounting to 62.66 million baht in the form of salaries, bonuses, overtime pay, provident fund contributions and other benefits.

#### Other Remuneration

-None-

The company has created employee handbooks and distributed to all employees in the organization for acknowledgement of rules, regulations and benefits.

#### 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.

### 13 Auditor Remuneration

#### Audit Fees

The company will pay audit fees to the following:

- The company's auditor. For the previous accounting cycle, an amount of 860,000 baht was paid to the auditor.
- The company paid no audit fees to the auditor's office, persons or businesses associated with the auditor and the auditor's audit office during the previous accounting cycle.

#### Non-Audit Fees

The company does not have other non-audit fees.

### 14. Director and Senior Executive Share Holdings

| Company Director/<br>Senior Executive | Position                         | No. of Common Shares<br>As of 27 Dec. 2013 | No. of Common Shares<br>As of 30 Dec. 2014 |
|---------------------------------------|----------------------------------|--------------------------------------------|--------------------------------------------|
| 1. Prof. Dr. Somchob Chaiyavej        | Chairman                         | -                                          | -                                          |
| 2. Mr. Padetpai Meekun-iam            | Independent Director             | -                                          | -                                          |
| 3. Mr. Polrachot Piyathanom           | Independent Director             | 172,000                                    | 172,000                                    |
| 4. Mr. Nattapol Lilawattananan        | Independent Director             | -                                          | -                                          |
| 5. Mr. Nakorn Phraprasert             | Independent Director             | -                                          | -                                          |
| 6. Mr. Poonphiphat Tantanasin         | Director / Director Managing     | 598,000                                    | 598,000                                    |
| 7. Mr. Siripong Boontam               | Director /Duty Director Managing | 299,700                                    | 522,000                                    |
| 8. Mr. Ruangchai<br>Kritsnakriengkrai | Duty Director Managing           | -                                          | -                                          |

#### The changing of Director and Senior Executive Share Holdings

| Name                 | Common Shares (shares) |               |           |           |                 |
|----------------------|------------------------|---------------|-----------|-----------|-----------------|
|                      | Date 27/5/2014         | Date 9/6/2014 | Date..... | Date..... | Date 27/12/2014 |
| Mr. Siripong Boontam | 322,000                | 522,000       |           |           | 522,000         |

# 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 board of directors has, therefore, assigned the Remuneration and Good Governance Committee the task of following up on compliance with policy and human resources development to build good people with sound morals and ethics.

In following up on compliance with corporate governance policies in 2014, the company made arrangements for the companywide promotion and communication of information to directors, executives and employees at all levels by the distribution of letters, good governance and the business code of conduct. The company's board of directors, executives and employees has acted in compliance with good governance policy and the business code of conduct. Moreover, compliance has been regularly monitored and there were no issues or situations involving non-compliance with the abovementioned.

The aforementioned commitment in 2014 has resulted in the company's evaluation in the annual meeting of shareholders 2014 with a score of 97.25 points, or a good level according the Quality of Annual General Meeting (AGM) Project, the Thai Investors Association (TIA) Project, which is another means of building sustainable good governance. In addition, the results of the survey of information on Corporate Governance Report of Thai Listed Companies 2014 earned an overall score of 79%, which falls within a Good CG Scoring range, which is above average for listed company scores. Nevertheless, the company remains firmly committed to developing the company's good governance policies for sustainability.

The company has set policies for good corporate governance as set forth by the Stock Exchange of Thailand in the 3rd/2557 meeting of the board of directors on 7 August 2014, which covered five sections of principles detailed as follows:

## Section 1: The Rights of Shareholders

The company is aware of and gives importance to the basic rights of shareholders such as rights to purchase, sell, or transfer shares, rights to receive shares in the business, rights to receive sufficient news and information about the business, rights to participate in meetings to exercise rights to vote in shareholders' meetings to appoint or remove directors, appointments of auditors and issues with impact on the company, such as distribution of dividends, specifications or reviews of regulations, memorandums of association, regulations, reductions or increases in capital, etc.

Apart from the above mentioned basic rights, the company has also acted on various issues to promote and facilitate the exercising of shareholders' rights as follows:

- The company sends letters of notification to attend shareholders' meetings to shareholders no less than twenty-one days before the meeting date for 2014 sending it at 28 March,2014. Letters contain schedules for dates, times, places and agendas of the meetings,including data regarding topics requiring resolutions at the meeting. The information is also posted at the company's website in Thai and English for at least one month for 2014 it was posted at 20 March,2014 so shareholders are given a sufficient amount of time to study the information accompanying the meeting before receiving information in the form of documents from the company.
- The company has set agendas for the annual shareholder's meeting for compliance with the principles of corporate good governance as follows:
  - Agenda 1 Consideration to approve the minutes to the shareholder's general meeting.
  - Agenda 2 Consideration to acknowledge the company's performance for the previous year.
  - Agenda 3 Consideration to approve the company's financial budget for the accounting cycle for the year ending 31 December of the previous year.
  - Agenda 4 Consideration to approve the allocation of profits from operations for the previous year.

- Agenda 5 Consideration of the nomination of replacement directors for directors whose terms of office have expired.
- Agenda 6 Consideration to approve director's compensation.
- Agenda 7 Consideration of the appointment of auditors and set compensation for the annual audit.
- Agenda 8 Consideration of other matters by giving the shareholders opportunities to inquire about key issues.

- In the event that a shareholder is unable to attend a meeting, the shareholder may authorize an independent director or an individual to attend the meeting on his/her behalf by using any one of the letters of proxy sent by the company with the meeting invitation.
- Shareholders are given opportunities to send questions on meeting agendas to the board of directors no less than 20 days before the meeting date via the company's website at 20 March, 2014 or investor relations e-mail notified through the SET news system.
- Shareholders are fully and independently given opportunities to ask questions, express opinions and suggestions.
- The company fully facilitates shareholders in exercising their rights to attend meetings and cast votes. The meetings are held on working days at hotels in Bangkok and Bangkok suburb areas where transportation is convenient for the shareholders travelling to attend the meetings.
- All directors and high-ranking executives attend the meeting and address questions raised in the shareholder's meetings together.
- After the meetings, the company posts the voting results for each agenda from the shareholder's general and special meetings on the next day at the company's website, at 22 April, 2014 and prepares minutes to the meetings with accurate and complete data disclosed via the company's website within 14 days from the meeting date, so shareholders are able to verify the results. The company post it at 6 May, 2014
- The company employs technology in the shareholder's meetings in terms of shareholder registration, vote counting and display so the meeting can proceed quickly, accurately and precisely.

## Section 2: The Equitable Treatment of Shareholders

The company has policies for practicing and protecting the rights of every shareholder equally and fairly, including shareholders who are executives, shareholders who are not executives, Thai shareholders or foreign shareholders, major shareholders or minor shareholders and corporate shareholders. Shareholders are entitled to equal fundamental rights.

- The company allows shareholders who are unable to attend meetings to authorize an independent director or an individual as a proxy to attend the meeting on the shareholder's behalf.
- The company allows shareholders to propose issues to be listed as meeting agendas and nominate persons as director candidates in the shareholder's meeting in advance in line with criteria set by the company as posted at the website <http://www.qtc-energy.com>. The proposal must be made three months before the shareholder's meeting. For 2014 the company post it between 19 November, 2014 until 31 January 2014
- 2014, the company will not add meeting agendas without sending notification to shareholders, particularly agendas that are important and require time to study information before making decisions.
- The board of directors grants shareholders opportunities to exercise the right to appoint individual directors and encourages the use of voting cards to ensure voting transparency.
- The board of directors sets up measures to prevent insider trading by related individuals, including directors, executives, employees, employees as well as the spouses and underage children of the aforementioned individuals.
- The board of directors has also set up punitive regulations on the company's disclosure of information, or the use of the company's information for personal gain in line with the policy to prevent insider trading.
- The company educates directors and its executives on the burden and duty to report shareholdings of the directors as well as the director's spouses and underage children, and to report changes in shareholdings to the Securities and Exchange pursuant to Article 59 and the punitive clauses of the Securities and Exchange Act of 1992.

## Section 3: The Role of Stakeholders

The company gives importance to the rights of stakeholders and treats all related parties with fairness, as follows:

- **Employees:** The company is aware of the importance of every company employee who will take part in pushing the company toward developing its business to the future. Therefore, the company is focused on continually developing the capabilities, knowledge and skills of employees, including considerations of suitable remuneration according to the knowledge and capacity of each employee in addition to the maintenance of work environments by considering quality of life and occupational safety. The company treats every employee equally and fairly.
- **Trading Partners and Trade Accounts Receivable:** The company treats trading partners who are suppliers and financial debtors fairly, equally and without taking advantage by strict adherence to trading conditions and/or agreements made with one another in order to improve business relations in the interests of both parties.
- **Customers:** The company pays attention to customers and takes responsibility by focusing on production of high quality standardized products and responding to the needs of customers while maintaining customer confidentiality. The company also gives importance to setting proper equal prices for products sold to customers.
- **Competitors:** The company behaves in compliance with the rules of good competition and set laws, maintaining the norms of codes of conduct for competition with avoidance of fraudulent methods which would destroy competitors.
- **Community and Society:** The company conducts its business with consideration of environmental impact. The company emphasizes continually building conscience, social and community responsibility in the company and support of activities in the interests of the public without violating laws.
- The company has a compensation measures published in the company's code of conduct in case where stakeholders are damaged by the company's violation of the stakeholder's legitimate rights.
- The company declares that directors, executives and employees who learn of important inside information potentially affecting securities trading prices must stop trading the company's securities within one month before the company announces its performance or before the inside information is disclosed to the public.
- The company has clear procedures for cases where persons disclose matters of legal violation, financial reporting accuracy, internal control errors or misconduct. These persons can report such matters by letter to the board of audit. Furthermore, the company has set up measures to protect the informants' rights.
- In order to lead to earnest practice, the company has established a manual on ethics as a part of discipline. The directors, executives and employees at all levels are required to strictly adhere to the aforementioned and violations or non-compliance will be subject to disciplinary action under the regulations governing human resources management.
- The company has set policy involving conflicts of interest in the manual on ethics in order to prevent the use of opportunities for seeking personal gain.

### Notification of Complaint Policy

The committee provides employees and interested persons channels of providing complaints, comment and inform the trace of any illegal action through mail to the audit committee of the company at: QTC Energy Public Company Limited 2/2 Soi Krungthep Kritha 8 Yaek 5, Krungthep Kritha Road, Huamark sub-district, Bangkok district, Bangkok 10240 or send e-mail to [audit@qtc-energy.com](mailto:audit@qtc-energy.com)

## Section 4: Disclosure and Transparency

The board of directors places importance on correct, complete and transparent information disclosure, from reports on financial data and general data according to the criteria of the SEC and the Stock Exchange of Thailand to the key information which may affect the company's security's prices and potentially affect the decision-making process of the company's investors and stakeholders, so the company's related individuals receive equal the information. Following this proposed sale of stock and following the company's listing on the Stock Exchange of Thailand, the company will disclose information to the shareholders and the public via Stock Exchange of Thailand data dissemination channels and the company's website.

The board of directors is aware of its responsibilities and firmly committed to strictly overseeing compliance with the laws and regulations related to information disclosure and transparency as follows:

- The company publishes information in line with the set criteria through channels of the SET, Annual Disclosure Form (Form 56-1) and the Annual Report (Form 56-2) and via the company's website in both Thai and English with regular information updates.
- The board of directors reports corporate governance compliance results through the Annual Disclosure Form (Form 56-1) and the Annual Report (Form 56-2) and company's website.
- The board of directors compiles reports on the board of directors' responsibilities for financial transactions displayed together with the auditor's report and arranges for reports on corporate governance by the Board of Audit in the Annual Report (Form 56-2).
- Annual Disclosure Form (Form 56-1) and the Annual Report (Form 56-2) the board of directors publishes name list, roles and responsibilities of members of the board of directors and sub-committees, number of meeting and number of meetings attended by each director in each year through the Annual Disclosure Form (Form 56-1) and the Annual Report (Form 56-2).
- The company has set policy for information disclosure through the Annual Disclosure Form (Form 56-1) to assure compliance with the Capital Market Supervisory Board's notification on the criteria, terms and methods for information
- disclosure regarding a company's financial status and business performance in the following areas: 1) general information; 2) risk factors; 3) characteristics of business operations; 4) business operations of each product line; 5) assets utilized in business operation; 6) legal disputes; 7) capital structure; 8) management; 9) internal control; 10) related transactions; 11) financial status and business performance; and 12) other related information.
- The board of directors and executives report shareholdings and the changes in shareholdings in line with regulations set by the Securities and Exchange Commission.
- The first four directors and executives counted from the Managing Director are under obligation to submit a report on their own stake holdings and the stake holdings of related individuals to the chairman of the board and the chairman of the Board of Audit with disclosure of information for all directors' awareness in line with the Securities and Exchange Act of 2008. The board of directors has set policy to designate executive level employees with the title of division manager to submit to the Board of Audit their personal stake holdings and the stake holdings of related individuals in order to assure transparency and fairness in business conduct.
- The board of directors arranges for the maintenance of effective internal controls in order provide reasonable assurance that accounting records are recorded accurately, completely and sufficiently to maintain the company's assets, and in order to be aware of the weaknesses so misconduct or significant irregular operations can be prevented. The board of directors has established the Board of Audit composed of non-executive directors serving to audit financial transactions, related party transactions and internal control systems. The Board of Audit directly reports to the board of directors.
- The company has established an investor relation unit for the purpose of communications with outside individuals, namely, shareholders, institution investors, general investors and related public analysts as follows:
  1. To disclose important information for public awareness.
  2. To thoroughly publish information to the people.
  3. To clarify rumors or news.
  4. To prevent the promotional disclosure of unreasonable information.
  5. To use inside information in the trading of listed companies with accuracy, sufficiency, modernity, equity, transparency and fairness.
  6. To carry out procedures when the securities trading of listed companies deviates from the market's normal conditions.

he unit can be contacted through the following channels:

Telephone : (66) 2379 3089, extension 241

Fax : (66) 2379 3099

Email : [ir@qtc-energy.com](mailto:ir@qtc-energy.com)

Website : [http://www.qtc-energy.com/irs/investor\\_th.html](http://www.qtc-energy.com/irs/investor_th.html)

In addition, the company has appointed the Chief Executive Officer or the Managing Director as the party with the authorization to provide the aforementioned information.

- The company has appointed contact persons who are authorized to coordinate with the SET in disclosing information.
  1. Matters on the disclosure of information in line with events occurring, namely, asset acquisition/ discharge (sales) transactions, related transactions, shareholders' meeting schedules, changes in directors and auditors, relocating headquarters, minutes to the shareholders' meetings and investment projects, dividend payments/ dividend payment suspensions are to be made by the Managing Director.
  2. The disclosure of information according to accounting cycle, namely, annual financial statements, and quarterly financial statement, Annual Disclosure Form (Form 56-1) and the Annual Report (Form 56-2) are to be made by the Managing Director.
- The Chairman of the Board or the Managing Director are the parties authorized to provide general news and information on corporate management to the media.
- Appointing contact persons with other related agencies:
  1. The corporate secretary is the party to coordinate with Thailand Securities Depository Company Limited
  2. The corporate secretary is the party to coordinate with the Securities and Exchange Commission.

## Section 5: Responsibilities of the Board of Directors

The company gives importance to showing the duties and responsibilities of directors in order to maintain the interests of stakeholders and shareholders such as setting annual strategies for business practices and reviewing the aforementioned strategies semi-annually and monitoring performance audits. And to ensure transparent business practices for added company value and sustainability, the company will take the following actions:

- 5.1 The board of directors is made up of qualified experts with knowledge, ability and experience at the executive level from various corporations. The board of directors is able to use its experience, knowledge and ability to effectively develop and set the company's policies and governance to maximize benefits to the company and shareholders. The board of directors plays a significant role in setting corporate policies and overall business in addition to supervising, auditing and monitoring management performance and evaluating the company's performance according to plans. Each director is allowed to hold the office of director for no more than three listed companies.
- 5.2 The company has set policy for the Chairman of the Board and the Managing Director are held by different persons in order to prevent any one person from holding absolute power in any specific matter. The board of directors will set the scope of the power and responsibilities in addition to selecting the persons to hold the aforementioned offices.
- 5.3 The number of companies in which each director holds office must be compliant with good corporate governance and each director must be a director in no more than three listed companies.
- 5.4 The Managing Director and high-ranking executives can hold the office of director in no more than three companies, and must be approved by the board of directors in advance.
- 5.5 Each independent director may be an independent director for no more than nine consecutive years.
- 5.5 The board of directors will appoint a new director to serve for the remaining term of office for the previous director with approval from the board of directors.
- 5.7 The board of directors discloses information on office holding in other companies to the shareholder's awareness in the Annual Disclosure Form (Form 56-1) and the Annual Report (Form 56-2).
- 5.8 The company has policy for non-executive directors to hold meetings for the purpose of discussing various problems concerning management issues of interest without the presence of management at least once per year. In 2014, the aforementioned meeting was held once in the month of April.
- 5.9 The company's board of directors has participated with the management in setting the company's vision, mission, strategies, goals, business plans and budgets. Thus, the company has scheduled annual reviews of the company's vision, mission, strategies, goals, business plans and budgets.

#### 5.10. The Roles, Duties and Responsibilities of Directors

The company stipulates that directors comply with the code of best practice in line with SET guidelines. Directors must understand and be aware of their roles, duties, and responsibilities, performing those duties in compliance with the law, company objectives and regulations as well as shareholders' resolutions with integrity, honesty and maximum consideration of the interests of the company and its shareholders. Director's roles, duties and responsibilities are as follows:

1. The board of directors must arrange a general shareholder's meeting within four months from the end of the company's accounting cycle.
2. The board of directors must arrange a meeting of the company's board of directors at least every three months.
3. Arranges a credible accounting system, financial statement reports and financial audits for the company. 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.
4. 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.
5. 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.
6. 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.
7. The board of directors must continually monitor performance for concurrence with plans and budgets.
8. 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.
9. 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. The power to authorized must not be in a manner that would enable the aforementioned individual to consider or approve transactions or persons with potential conflicts of interest, stakeholders or any other types of conflicts of interest occurring with the company or its subsidiaries (if any), unless the approval involves normal business transactions in line with general trade conditions or compliance with policy and criteria already considered and approved by the board of directors under the criteria, terms and methods set forth regarding related transactions and acquisitions or discharges of listed company main assets pursuant to SEC and/or SET notifications and/or any other notifications by related agencies.
10. The board has prepared corporate governance policy in writing with performance evaluation and policy review at least once a year, promoting the preparation of written code of conduct so all directors, executives and employees understand the ethical code by which the company conducts its business, monitors compliance with the aforementioned ethical codes, and sets up risk management policy with evaluation of risk management effectiveness at least once a year.

#### 5.11 Orientation for New Directors

- The company's board of directors has scheduled orientation for every new director in order to build knowledge and understanding about the business, including the performance of various company tasks.

In order to prepare directors for the performance of their respective duties, the company has policy for promoting the building of new knowledge for every director in learning about good governance, industrial conditions, technology businesses and new innovations in order to enable directors to efficiently take over their respective duties as soon as possible. The Corporate Secretary will coordinate various issues as follows:

1. Things to Know: Business infrastructure, director infrastructure, scope of duty, laws directors need to know.
2. General Business Knowledge: Guidelines for practice in line with various policies and visiting the production process.
3. Make arrangements for collaborative meetings with the entire board of directors, so in-depth questions can be asked about the business operations.

In 2014, the company held no orientations for new directors, but there was communication on anticorruption issues, good governance regulations with opportunities for directors to visit the product process at the Rayong factory where they were able to witness the progress of the investments they had approved.

- Learning Development

The company's board of directors has policy for supporting and facilitating training to impart knowledge about the company's governance system, which included directors, auditing directors and recruitment directors in the setting of remuneration and corporate governance, and directors for risk management and the corporate secretary in order to improve practice on a continual basis as arranged by the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and courses sponsored by the Thai Institute of Directors Association (IOD). In 2014, the company director who participated in the training and seminars was Mr. Polrachot Piyathanom for the course on the Role of the Compensation Committee (RCC, Class No. 19/2014). In addition, the company has made arrangements for documents and information for the benefit of new directors in performing their respective duties as well as a manual on business characteristics and guidelines for conducting the company's business operations for new directors. The aforementioned was given to the Recruitment, Remuneration and Corporate Governance Committee with follow-up on succession plans for managing directors, deputy managing directors and executives. Hence, the executives who have been assigned the role of succession will be developed according to Individual Development Plans in order to prepare them for future succession.

#### 5.12 Making Succession Plans

In order to assure that the company has knowledgeable directors with sufficient ability to perform their respective duties, the company's board of directors has made capacity building plans for high ranking executives by appointing the Remuneration and Good Governance Committee with the task of making plans for succession in the positions of managing director, deputy managing director and department manager based on consideration of knowledge, ability and experience required for each position for the selection of executives possessing set qualifications with ability to succeed to each position. Furthermore, the Human Resources Management Department has been assigned the task of monitoring training and the development of knowledge and ability for persons succeeding to the positions of managing director, deputy managing director and department manager.

#### 5.13 Report of Interest of Directors and shareholding report

Our company assigns the committees and Board of Directors to report their own interests and those of related persons when they commence to hold the position or when there is any changing of information. In addition, they have to revise all information annually according to rules and methods of report on interests of company's committees and executives defined by Board of Directors. In 2014, the company stipulated that directors, executive directors and executives send reports on stake holdings on 1 August 2014.

# Corporate Social and Environmental Responsibilities

QTC Energy public company limited is committed to conduct its business under the corporate governance. Based on principles of good governance coupled with attention to environmental care. There is the sense of social responsibility truly. In consideration of those who are consistently involved both inside and outside of the Organization, from employees, customers, shareholders, communities and the broader society to contribute to the development of sustainable business to provide a corporate joint venture successful. There are standard actions seriously and ensure that the actions are based on the defined vision and mission. Build confidence to stakeholders with a real organization, as well as to demonstrate social responsibility in various aspects of the policy have been concretely corporate social responsibility (CSR) and the appointment of the Executive Committee and the Working Group on CSR to supervise a work tamonyobai for the details listed in the report on sustainable development.

# Internal Control and Risk Management

In Board of Directors Meeting No. 1/2015 on 19 February 2015 where all three audit directors were in attendance, the board of directors assessed the adequacy of the company's internal control system risks by submitting inquiries to the Management Department and was able to draw conclusions based on the assessment of the company's internal control system in terms of the following aspects:

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

The board of directors has rendered the opinion that the company already has adequate internal control activities concerning business conducted with major shareholders, directors, executives or persons related to the aforementioned (in Part 3, Clause 12 of the assessment form). As for internal control activities under other categories, the board of directors has rendered the opinion that the company also has adequate and appropriate controls.

## Internal Control-Related Performance

The company has a Board of Audit to perform the duty of checking to ensure that the company has proper and effective internal control systems and internal audits. The Board of Audit has also checked the company's performance to ensure compliance with the laws governing securities and stock exchanges, the specifications set forth by the Stock Exchange of Thailand and laws related to the company's businesses. The Board of Audit will hold meetings at least once every quarter in order to consider and take steps toward ensuring the compilation of accurate financial reports with complete and sufficient disclosure, including the consideration of related transactions or transactions with potential conflicts of interest to ensure compliance with the law and the specifications set forth by the Securities and Exchange Commission and the Stock Exchange of Thailand. Auditors are present at the meetings in order to observe based on the company's audits.

At present, the company has no internal audit department. However, the company has hired P & L Internal Audit Co., Ltd. to perform the duty of auditing the company's internal control systems since 2006 until the end of 2012. In 2013 and 2014 the company hired IVL Audit Co., Ltd. to perform the task of conducting internal audits for the company from then until the present. The aforementioned internal auditors have compiled reports on the results of assessment and internal auditing and these reports have been submitted for the acknowledgement of the Board of Audit on a regular quarterly basis. The company has revised and adjusted the practice of various departments according to the recommendations of the internal auditors.

# Related Party Transactions

## 1 Type of Relationship

QTC Energy Public Company Limited (“the Company”) has related transactions with individuals posing potential conflicts of interest comprising shareholders and/or company executives. Related companies mean companies with individuals who might have conflicts of interest with the company, who have relationships with the aforementioned company executives or shareholders. The types of relationships can be summarized as follows:

| Persons With Potential Conflicts of Interest | Type of Relationship                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| QTC Service Chiangmai Co., Ltd.              | Mrs. Sisapim Wongkham is the signatory director authorized to sign on behalf of the company and holds 99.94 percent of the shares in QTC Chiangmai. She is related as the younger sister of Mr.Poonphiphat Tantanasin, who holds the position of Chief Executive Officer and Managing Director of the company. In addition, the former wife and children of Mr. Mr.Poonphiphat jointly hold shares in the company for a total holding of 62.01 percent. |
| SMI Metal Work Co., Ltd.                     | Mr. Thitipat Techapiboonchai is the signatory director authorized to sign on behalf of the company and holds a 100 percent shareholding in SMI Metal Work Co., Ltd. He is related as the relative of Miss Boonpa Ruddist who holds the position of Managing Director.                                                                                                                                                                                   |
| Mr.Poonphiphat Tantanasin                    | Holds the position of Chief Executive Officer and Managing Director and the former wife and children of Mr. Poonphiphat jointly own a 62.01 percent shareholding.                                                                                                                                                                                                                                                                                       |
| QTC PANCO Co., Ltd.                          | Mr. Poonphiphat Tantanasin is the signatory director authorized to sign on behalf of the company and holds 85 percent of the shares in the registered capital of QTC PANCO Co., Ltd. Mr.Poonphiphat Tantanasin holds the position of Chief Executive Officer and Managing Director. In addition, the former wife and children of Mr. Mr.Poonphiphat jointly hold shares in the company for a total holding of 62.01 percent.                            |

## 2 Related Party Transaction Details

In 2014 and 2013, the company carried out transactions with individuals who might have potential conflicts of interest with the following transaction details:

## 1 Goods and Service Sales Transactions

| Persons With Potential Conflicts of Interest                                                                                 | Transaction Type                                     | Related Transaction Value (million baht) |      | Necessity and Validity of Related Transactions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                              |                                                      | 2014                                     | 2014 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| QTC Service Chiangmai Co., Ltd. (QTC Chiangmai)<br>Conducts the business of service provision related to electrical systems. | Goods & Service Sales<br>Trade Accounts Receivable   | 6.09                                     | 8.89 | <p>The company sells electricity transformers and raw materials which are components of electricity transformers, i.e. gas sealed transformers, low voltage terminal lugs, gasket sets and insulators, etc., including the provision of repair services for electricity transformers to QTC Service Chiangmai, which is one of the company's distributors. The sales prices for goods to QTC Service Chiangmai is a discounted rate equal to the discount rate offered to the company's other distributors. Moreover, the trading terms are similar to the trading terms set for the company's other distributors.</p> <p>The Audit Committee has considered the issue and holds the view that the aforementioned sale of goods and services transaction is one of the company's normal and valid trading types.</p> |
|                                                                                                                              |                                                      | 1.83                                     | 0.62 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| SMI Metal Work Co., Ltd.<br>Conducts the business of transformer casing and cover manufacturing.                             | Goods and Service Sales<br>Trade Accounts Receivable | -                                        | 0.60 | <p>The company has raw materials which are components for electricity transformers, such as RAL paint and primer, etc. The Audit Committee has considered the issue holds the view that the aforementioned sale of goods and services transaction is one of the company's normal and valid trading types.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                                                                              |                                                      | -                                        | -    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Persons With Potential Conflicts of Interest                                                       | Transaction Type                                     | Related Transaction Value (million baht) |      | Necessity and Validity of Related Transactions                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                    |                                                      | 2014                                     | 2014 |                                                                                                                                                                                                                                                                                                                |
| QTC PANCO Co., Ltd<br>Conducts the business of manufacturing and selling electricity transformers. | Goods and Service Sales<br>Trade Accounts Receivable | 5.03                                     | 2.43 | The company sells electrical transformers and raw materials which are components of electricity transformers.<br><br>The Audit Committee has considered the issue and rendered the view that the aforementioned sale of goods and services transaction is one of the company's normal and valid trading types. |
|                                                                                                    |                                                      | 1.15                                     | 2.46 |                                                                                                                                                                                                                                                                                                                |

## 2 Sales and Administrative Expense Transactions

| Persons With Potential Conflicts of Interest                                                                                 | Transaction Type                                      | Related Transaction Value (million baht) |           | Necessity and Validity of Related Transactions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                              |                                                       | 2014                                     | 2014      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| QTC Service Chiangmai Co., Ltd. (QTC Chiangmai)<br>Conducts the business of service provision related to electrical systems. | Goods and Service Purchases<br>Trade Accounts Payable | 0.04<br>-                                | 0.001     | This is an expense incurred by the company's hiring of QTC Service Chiangmai to provide the following services for the company's customers in areas located in areas/provinces near the offices of QTC Service Chiangmai: transformer cargo, inspection, repair and crane lift fees, etc., because the company's cargo trucks and/or mechanics have full queues preventing them from providing services to customers. Furthermore, QTC Service Chiangmai is able to provide services for customers rapidly and reliably. The service fees QTC Service Chiangmai collected from the company can be compared to expenses incurred in the company's service provision and/or can be compared to service fees incurred in outsourcing the work to a third party.<br><br>The Audit Committee has considered the issue and holds the view that the aforementioned sale of goods and services transaction is one of the company's normal and valid trading types. The related service fees are appropriate. |
| SMI Metal Work Co., Ltd.<br>Conducts the business of transformer casing and cover manufacturing.                             | Goods And Service Purchases<br>Trade Accounts Payable | -<br>-                                   | 0.50<br>- | The company purchased transformer casing and covers. The purchase price obtained from SMI Metal Work is comparable to purchase prices incurred with other companies.<br><br>The Audit Committee has considered the issue and holds the view that the aforementioned sale of goods and services transaction is one of the company's normal and valid trading types. The related service fees are appropriate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

### Measures or Procedures for Approving Related Transactions

The company has set forth measures for entering into related transactions between the company and persons with potential conflicts of interest by arranging for the Audit Committee to offer opinions regarding the necessity of

entry into related transactions, the reasons for the related transactions and the suitability of fees for related transactions by considering various conditions for concurrence with characteristics of normal market trading, i.e. prices/fees comparable to third parties. In cases where the Audit Committee lacks expertise in considering potential related transactions, the company will provide persons with particular knowledge and expertise, such as auditors, property appraisers, law offices, etc., who are independent from the company and persons with potential conflicts of interest, to provide opinions regarding the aforementioned related transactions to accompany the decisions of the Audit Committee for presentation to the meeting of the board of directors or the meeting of shareholders, depending upon the case.

Furthermore, the company has set forth measures to prevent executives or stakeholders from participating in the approval of transactions in which executives or stakeholders may obtain direct or indirect gains or losses. Furthermore, the company's board of directors must ensure the company's compliance with laws on assets and stock exchanges, regulations, announcements, orders, or specifications of the Capital Market Supervisory Board and the Stock Exchange of Thailand, including compliance with specifications regarding the disclosure of information on related transactions and acquisitions or sales of significant assets belonging to the company or its subsidiaries, accounting standards set forth by the Federation of Accounting Professions and the Accountants and Licensed Auditors Association of Thailand. The company's board of directors must disclose related transactions in remarks accompanying budgets which have been audited or reviewed by the company's auditors.

#### **Future Trends for Related Transactions**

The company may have continual related transactions in the future, which will be according to characteristics of normal business transactions with clear designation of policies for entering into related transactions at normal prices and under trade conditions of businesses similarly set forth for persons and/or unrelated companies, e.g. sales of products, provision or receipt of services, etc. The related transactions that will occur will be concurrent with the company's business needs and in the company's interests. The Audit Committee will consider auditing practices according to set criteria and provide opinions regarding the validity of transactions occurring every quarter.

Transactions for products sold to QTC Service Chiangmai Co., Ltd. and QTC PANCO Co., Ltd. (Laos), which is a person with potential conflict of interest, will continue in the future. The company has set policies for setting prices and discounts for the sale of transformers and raw materials or equipment which are components of transformers provided for each type of customer, including sales representatives effective as of 15 May 2011 and with the objective of increasing clarity and enabling comparisons of prices and discounts in the sale of products to QTC Service Chiangmai Co., Ltd., which must be concurrent with prices and discounts provided for other sales representatives, in order to aid the Audit Committee in its consideration of opinions regarding the justice and validity of the sales of products to both companies. Hence the Audit Committee will be able to proceed systematically, especially during periods when the company has no sales of products to other sales representatives.

For potential related transactions not concurring with the company's normal business operations in the future, the company will arrange for the Audit Committee to check whether or not practice is compliant with criteria and assure that the reasons for the aforementioned transactions are disclosed before the company proceeds with the transactions by acting in compliance with the measures and procedures for approval as set forth above. Nevertheless, with regard to related transactions with potential conflicts of interest regarding potential future benefits, the Audit Committee will have to practice according to the laws governing securities and securities exchange, as well as the rule, announcements, orders or specifications of the Capital Market Supervisory Board and the Stock Exchange of Thailand, and further including practice according to specifications regarding disclosure of related transactions and the acquirement or sales of assets belonging to the company or its subsidiaries as well as practice in compliance with the accounting principles set forth by the Federation of Accounting Professions and the Accountants and Licensed Auditors Association of Thailand.

# Board of Audit Report

The Audit Committee of QTC Energy PCL is composed of Mr. Padetpai Meekun-iam as the Audit Committee Chairman and Mr. Nattharphon Lilawatthanun and Mr. Pholrach Piathanom as the audit directors. The Audit Committee's important scope and responsibilities pursuant to its charter are to oversee and ensure that the company's financial reports are in accordance with generally accepted accounting standards and principles, reviewing the company's performance to be in accordance with good corporate governance principles with effective system of internal control and pursuance to related laws and regulations, along with looking after cases of conflicts of interest between the company and related parties. Hence, the company's Audit Committee has organized five meetings in 2014 with the essential content as follows:

1. The Audit Committee has reviewed the quarterly finances and financial statement for 2014 with the management and auditor to ensure that the company's financial report was made correctly as should be according to generally accepted accounting standards and adequate and complete disclosure of information credibly in the footnotes of financial statements along with providing observations and acknowledgement of beneficial resolutions to the company's problems.
2. Discussion of the disclosure of information of related transactions and transactions related to the company and people who might be in conflict of interest. The Audit Committee deems that the disclosure of information of related transaction and transactions related to the company is correct, complete and sufficient and in accordance with business conditions and criteria set by the Stock Exchange of Thailand.
3. Govern and ensure that internal audits are carried out independently by employing IVL Auditing CO., LTD., which is a company that provides internal and external audit services, as the company's internal auditor with the Audit Committee as the considerer of the annual internal audit plan, reporter of internal audit results, follower of internal audit results for the management, along with providing advice to the internal auditor in order to ensure confidence that the annual internal audit plan is carried out effectively and efficiently. The internal audit results for 2014 found no indicators of corruption or flaws in internal control in essential content.
4. Evaluation of the internal control system in accordance with set guidelines by the Securities and Exchange Commission, which governs corporate internal control, risk management, information technology system control and data communication along with monitor systems. The Audit Committee deems the company's internal control to be adequate and effective.
5. Consideration for the appointment of and proposal for remuneration payment to the auditor for 2015. A proposal was made for the company's board of directors to appoint Mr. Somkit Tiattrakul, Licensed Auditor No. 2785, or Mrs. Sumalee Chokanan, Licensed Auditor No. 3322, or Mr. Theerasak Chuasrikul, Licensed Auditor No. 6624, or Ms. Sansanee Poonsawat, Licensed Auditor No. 6977, of Grand Thornton CO., LTD. as the company's auditor with total remuneration set at 910,000 baht for later proposal to the General Shareholders' Meeting.

Hence, the Audit Committee has performed its duties thoroughly and independently, rendered opinions directly without limitations to information access, and has given importance to good corporate governance in accordance with principles set by the Stock Exchange of Thailand with transparency and good ethics in order to establish confidence in shareholders, investors, customers and all related parties.

**On behalf of the Board of Audit,**



**(Mr. Padetpai Meekun-iam)**

Chairman, Board of Audit

17 February 2015

# Board of Nomination Remuneration and Corporate Government Report

The QTC Energy PCL Recruitment, Remuneration and Good Governance Committee is composed of two independent directors and one executive director with Mr. Mr. Pholrach Piathanom, an independent director, to act as Chairman of the Recruitment, Remuneration and Good Governance Committee, Mr. Nakorn Phraprasert and Mr. Poonphiphat Tantanasin as directors with a scope, duties and responsibilities under the charter of the Recruitment, Remuneration and Good Governance Committee.

In 2014, the Recruitment, Remuneration and Good Governance Committee held two meetings with every director in attendance at every meeting in order to follow-up and consider key issues as assigned by the company's board of directors which can be summarized as follows:

1. Consider and propose practice guidelines before presentation to the company's board of directors for further consideration and approval of practice in line with the practice guidelines for the company's governance for concurrence with the principles of good governance to better meet international standards.
2. Consider monitoring the performance of independent directors in line with governance policy stipulating that independent directors hold their positions for no more than nine years and prepare to recruit new directors.
3. Consider, select and propose candidates for the position of director, basing consideration on the list of candidates proposed by the shareholders by considering qualifications and diversity in terms of knowledge, ability, experience and gender, etc. Then propose to the company's board of directors and shareholders.
4. Consider remuneration for company directors, executive directors and sub-committee directors before proposal to the company's board of directors and shareholders for consideration and approval as commensurate with duties and responsibilities, the company's performance and overall economic conditions.
5. Make arrangements for performance evaluations of company directors, sub-committee directors and senior executive directors.
6. Consider procuring succession plans for senior executives in line with set goals and criteria.

**On Behalf of the Recruitment, Remuneration and Good Governance Committee**



**(Mr. Pholrach Piathanom)**

Chairman, Recruitment, Remuneration and  
Good Governance Committee

19 February 2015

# Board of Directors' Reports & Responsibility for Financial Reports

Dear Shareholders,

The board of directors is responsible for the financial statements of QTC Energy PCL, including the financial information appearing in the company's annual report and financial statements. The board of directors holds the view that the company's financial statements for the year ending 31 December 2014 have been compiled in compliance with generally accepted accounting principles by using proper accounting policy in line with the principles of caution and consistent practice. Moreover, the company has carefully exercised discretion with reasonable estimations in the compilation. Moreover, sufficient information has been disclosed in the remarks accompanying the company's financial statements. Hence, the aforementioned financial statements have passed the audit and unconditional opinions have been rendered by the independent licensed auditor.

The board of directors supports the company in good corporate governance with structural development for the board of directors in order to promote continued good corporate governance and efficient work performance with transparency and reliability. The board of directors has appointed a board of audit composed of three independent directors as the parties responsible for checking the financial reporting system, the internal control systems and internal audits. The board of audit has rendered opinions concerning the aforementioned matters as appearing in the board of audit's report as already shown in the annual report.

The board of directors has rendered the opinion that the company's internal control systems are sufficient and appropriate. Moreover, the aforementioned have the ability to build reasonable confidence in the reliability of the company's financial statements for the year ending 31 December 2014.



**(Prof. Dr. Somchob Chaiyavej)**

Chairman of the Board

# Certified Auditor's Report

To the Shareholders of QTC Energy Public Company Limited

I have audited the accompanying financial statements of QTC Energy Public Company Limited which comprise the statement of financial position as at 31 December 2014, the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **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 and for such internal control as management determines to be necessary to enable 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design 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 presentation of financial statements.

I believe that the audit evidences I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position as at 31 December 2014 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

19 February 2015

# Business Performance and Financial Position

## 1. Audit Report Summary

- (A) The company's statement of financial position for 2012 was audited by Mr. Mr. Somckid Tiatragul, licensed auditor No. 2785 of Grand Thornton CO., LTD.

The auditor has audited the company's statement of financial position and commented that the company's statement of financial position as of 31 December 2012 and performance for the end of year on the same day of the company are correct in terms of relevant content pursuant to generally accepted accounting standards.

- (B) The company's statement of financial position for 2013 was audited by Mr. Somckid Tiatragul, licensed auditor No. 2785 of Grand Thornton CO., LTD.

The auditor has audited the company's statement of financial position and commented that the company's statement of financial position as of 31 December 2013 and performance for the end of year on the same day of the company are correct as should be in essential content pursuant to generally accepted accounting standards.

- (C) The company's statement of financial position for 2014 was audited by Mr. Somckid Tiatragul, licensed auditor No. 2785 of Grand Thornton CO., LTD.

The auditor has audited the company's statement of financial position and commented that the company's statement of financial position as of 31 December 2014 and performance for the end of year on the same day of the company are correct as should be in essential content pursuant to generally accepted accounting standards.

## 1.2 Table Showing a Summary of Financial Position and Business Performance

### Statement of Financial Position

|                                                                          | 2012          |               | 2013          |               | 2014          |               |
|--------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                                          | Million Baht  | Percentage    | Million Baht  | Percentage    | Million Baht  | Percentage    |
| <b>Assets</b>                                                            |               |               |               |               |               |               |
| <b>Current Assets</b>                                                    |               |               |               |               |               |               |
| Cash and Cash Equivalents                                                | 43.54         | 5.52          | 117.36        | 15.95         | 86.24         | 12.10         |
| Temporary investments                                                    | 35.29         | 4.47          | 10.84         | 1.47          | 0.11          | 0.02          |
| Trade Debtors                                                            |               |               |               |               |               |               |
| - Ordinary Debtors - Net                                                 | 258.01        | 32.70         | 126.07        | 17.13         | 146.17        | 20.51         |
| - Associated Companies                                                   | 0.25          | 0.03          | 3.09          | 0.42          | 2.99          | 0.42          |
| Inventories - Net                                                        | 176.24        | 22.34         | 151.35        | 20.57         | 136.29        | 19.12         |
| VAT pending refund                                                       | 3.42          | 0.43          | 0.38          | 0.05          | 1.93          | 0.27          |
| Other Current Assets                                                     | 7.94          | 1.01          | 7.77          | 1.06          | 9.26          | 1.30          |
| <b>Total Current Assets</b>                                              | <b>524.69</b> | <b>66.50</b>  | <b>416.86</b> | <b>56.65</b>  | <b>382.98</b> | <b>53.73</b>  |
| <b>Non-Current Assets</b>                                                |               |               |               |               |               |               |
| Limited-Use Bank Deposits                                                | -             | -             | 0.58          | 0.08          | 0.77          | 0.11          |
| Other Investment Capital                                                 | 0.05          | 0.01          | 0.05          | 0.01          | 0.05          | 0.01          |
| Land, Building and Equipment - Net                                       | 259.37        | 32.88         | 314.17        | 42.70         | 323.42        | 45.37         |
| Computer Programs                                                        | 2.86          | 0.36          | 1.64          | 0.22          | 2.11          | 0.30          |
| Mortgage                                                                 | -             | -             | -             | -             | -             | -             |
| Deferred Income Tax Assets                                               | 1.99          | 0.25          | 2.55          | 0.34          | 3.44          | 0.48          |
| <b>Total Non-Circulating Assets</b>                                      | <b>262.28</b> | <b>33.50</b>  | <b>318.99</b> | <b>43.35</b>  | <b>329.80</b> | <b>46.27</b>  |
| <b>Total Assets</b>                                                      | <b>786.97</b> | <b>100.00</b> | <b>735.85</b> | <b>100.00</b> | <b>712.78</b> | <b>100.00</b> |
| <b>Liabilities and Shareholders' Equity</b>                              |               |               |               |               |               |               |
| <b>Current Liabilities</b>                                               |               |               |               |               |               |               |
| Account Overdraws and Short-Term Loans from Financial Institutions       | 137.24        | 17.44         | 74.05         | 10.06         | 66.68         | 9.35          |
| Trade Creditors                                                          | 77.44         | 9.84          | 75.99         | 10.33         | 66.17         | 9.28          |
| Long-Term Loans Due for Payment Within One Year                          | 14.07         | 1.79          | 22.93         | 3.12          | 24.68         | 3.46          |
| Creditors Pursuant to Purchase Contracts Due for Payment Within One Year | 3.08          | 0.39          | 3.08          | 0.42          | 3.63          | 0.51          |
| Accrued Income Tax                                                       | 30.56         | 3.88          | 11.10         | 1.51          | 12.93         | 1.81          |
| Accrued Costs                                                            | 16.43         | 2.09          | 12.31         | 1.67          | 12.37         | 1.74          |
| Received Goods Deposit on Goods Received                                 | 3.42          | 0.43          | 7.65          | 1.04          | 3.76          | 0.53          |
| Other Current Liabilities                                                | 8.87          | 1.13          | 10.11         | 1.37          | 5.77          | 0.81          |
| <b>Total Current Liabilities</b>                                         | <b>291.11</b> | <b>36.99</b>  | <b>221.75</b> | <b>30.14</b>  | <b>199.02</b> | <b>27.92</b>  |
| <b>Non-Current Liabilities</b>                                           |               |               |               |               |               |               |
| Long-Term Debts - Net                                                    | 26.70         | 3.39          | 31.08         | 4.22          | 19.52         | 2.74          |
| Creditors Pursuant to Purchase Contracts - Net                           | 6.11          | 0.78          | 5.16          | 0.70          | 3.55          | 0.50          |
| Employee Benefit Liabilities                                             | 2.13          | 0.27          | 2.43          | 0.34          | 2.57          | 0.36          |
| <b>Total Non-Current Liabilities</b>                                     | <b>34.94</b>  | <b>4.44</b>   | <b>38.67</b>  | <b>5.26</b>   | <b>25.64</b>  | <b>3.60</b>   |
| <b>Total Liabilities</b>                                                 | <b>326.05</b> | <b>41.43</b>  | <b>260.42</b> | <b>35.40</b>  | <b>224.66</b> | <b>31.52</b>  |

## Statement of Financial Position (Continued)

|                                                   | 2012          |               | 2013          |               | 2014          |               |
|---------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                   | Million Baht  | Percentage    | Million Baht  | Percentage    | Million Baht  | Percentage    |
| <b>Shareholders' Equity</b>                       |               |               |               |               |               |               |
| Capital Stock                                     |               |               |               |               |               |               |
| Registered Capital                                | 200.00        | 25.41         | 200.00        | 27.18         | 200.00        | 28.06         |
| Issued and Paid Up Capital                        | 200.00        | 25.41         | 200.00        | 27.18         | 200.00        | 28.06         |
| Excess Value Ordinary Shares                      | 45.94         | 5.84          | 45.94         | 6.24          | 45.94         | 6.45          |
| Accrued Profit                                    |               |               |               |               |               |               |
| Allocated – Reserved Pursuant to Laws             | 20.00         | 2.54          | 20.00         | 2.71          | 20.00         | 2.81          |
| Unallocated                                       | 196.98        | 24.78         | 209.48        | 28.47         | 222.19        | 31.17         |
| <b>Total Shareholders' Equity</b>                 | <b>462.92</b> | <b>58.57</b>  | <b>475.42</b> | <b>64.60</b>  | <b>488.12</b> | <b>68.48</b>  |
| <b>Total Shareholders' Liabilities and Equity</b> | <b>788.97</b> | <b>100.00</b> | <b>735.84</b> | <b>100.00</b> | <b>712.78</b> | <b>100.00</b> |

## Statement of Comprehensive Income

|                                                                   | 2012          |               | 2013          |               | 2014          |               |
|-------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                                   | Million Baht  | Percentage    | Million Baht  | Percentage    | Million Baht  | Percentage    |
| Income                                                            |               |               |               |               |               |               |
| Sales revenue                                                     | 940.35        | 96.97         | 783.88        | 97.64         | 743.83        | 96.24         |
| Income from Services                                              | 19.15         | 1.98          | 20.07         | 2.50          | 16.68         | 2.16          |
| Other Income                                                      | 10.20         | 1.05          | (1.11)        | (0.14)        | 12.38         | 1.60          |
| <b>Total Income</b>                                               | <b>969.70</b> | <b>100.00</b> | <b>811.69</b> | <b>100.00</b> | <b>772.89</b> | <b>100.00</b> |
| Capital and Cost                                                  |               |               |               |               |               |               |
| Sales Capital                                                     | 687.40        | 70.89         | 582.69        | 72.58         | 565.14        | 73.12         |
| Service Capital                                                   | 7.86          | 0.81          | 9.73          | 1.21          | 15.01         | 1.94          |
| Sales and Administrative Cost                                     | 111.28        | 11.48         | 109.95        | 13.69         | 115.35        | 14.92         |
| <b>Total Cost</b>                                                 | <b>806.54</b> | <b>83.17</b>  | <b>702.37</b> | <b>87.48</b>  | <b>695.50</b> | <b>89.98</b>  |
| Profit (Loss) before Interest and Income Tax Deductions           | 163.16        | 16.83         | 100.48        | 12.52         | 77.38         | 10.01         |
| Paid Interest                                                     | 7.73          | 0.80          | 6.94          | 0.86          | 7.54          | 0.98          |
| Corporate Income Tax                                              | 37.04         | 3.82          | 19.03         | 2.37          | 14.54         | 1.88          |
| <b>Profit (Loss) – Net</b>                                        | <b>118.40</b> | <b>12.21</b>  | <b>74.51</b>  | <b>9.28</b>   | <b>55.30</b>  | <b>7.15</b>   |
| Other Annual Comprehensive Profit (Loss)                          |               |               |               |               |               |               |
| Loss Due to Estimations according to Actuarial Science Principles | -             | -             | -             | -             | 0.59          | 0.08          |
| <b>Total Annual Comprehensive Profit (Loss)</b>                   | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>54.70</b>  | <b>7.08</b>   |
| <b>Net Profit (Loss) per Share (Fully Diluted) (Baht)</b>         | <b>0.59</b>   |               | <b>0.37</b>   |               | <b>0.28</b>   |               |
| Net Profit (Loss) per Share (Weighed Average) (Baht)              | 0.59          |               | 0.37          |               | 0.28          |               |
| <b>Par Value (Baht)</b>                                           | <b>1.00</b>   |               | <b>1.00</b>   | <b>1.00</b>   | <b>1.00</b>   |               |

## Cash Flow Statement

| (Unit : Million Baht)                                                                        | 2012           | 2013            | 2014           |
|----------------------------------------------------------------------------------------------|----------------|-----------------|----------------|
| <b>Cash Flow from Operations</b>                                                             | 155.44         | 93.53           | 69.84          |
| Net Profit before Income Tax                                                                 |                |                 |                |
| Adjusted Transactions Compared to Net Profits as Cash Obtained from Operations               |                |                 |                |
| Price Depreciation and Amortization                                                          | 27.43          | 35.95           | 38.10          |
| Allowance for Doubtful Accounts                                                              | 2.65           | 1.35            | 3.21           |
| Allowance for (Reversal of Allowance) Outdated Products                                      | 0.51           | 0.40            | 0.08           |
| Gain on Disposal of Assets                                                                   | (2.33)         | (1.00)          | (2.44)         |
| Unrealized Loss (Profit) from Current Exchange                                               | (1.59)         | (1.75)          | (3.80)         |
| Allowance for Retirement Benefit Obligations                                                 | 0.06           | 0.21            | 1.25           |
| Paid Up Interest                                                                             | 7.73           | 6.94            | 7.54           |
| Cash Provided from Operating Activities Prior to Changes in Operating Assets and Liabilities | 189.90         | 135.62          | 113.78         |
| Decreased (Increased) Operating Assets                                                       |                |                 |                |
| Trade Debtors                                                                                | (143.74)       | 128.11          | (24.11)        |
| Inventory                                                                                    | (28.94)        | 24.50           | 14.98          |
| VAT Pending Refund                                                                           | (3.42)         | 3.04            | (1.56)         |
| Other Current Assets                                                                         | (4.31)         | 0.17            | (1.49)         |
| Increased (Decreased) Operational Debts                                                      |                |                 |                |
| Trade Creditors                                                                              | 16.48          | (0.23)          | (11.41)        |
| Deferred Cost                                                                                | (0.32)         | (0.81)          | 0.06           |
| Product Guarantee Income                                                                     | (2.22)         | 4.23            | (3.89)         |
| Other Current Liabilities                                                                    | 0.68           | 1.19            | (4.36)         |
| Paid Liabilities Pursuant to Retirement Benefit Obligations                                  | -              | -               | (1.97)         |
| Cash Provided from Operating Activities                                                      | 24.43          | 295.81          | 80.03          |
| Paid Taxes                                                                                   | (25.52)        | (39.03)         | (13.47)        |
| Paid Interest                                                                                | (7.64)         | (6.85)          | (7.02)         |
| <b>Net Received (Spent) Cash from Operating Activities</b>                                   | <b>(8.73)</b>  | <b>249.93</b>   | <b>59.54</b>   |
| Cash Flow from Investment Activities                                                         |                |                 |                |
| Decreased (Increased) Limited-Use Bank Deposits                                              | 0.54           | (0.58)          | (0.19)         |
| Decreased (Increased) Temporary investments Capital                                          | 16.84          | 24.45           | 10.74          |
| Cash Provided from Disposal of Assets                                                        | 2.34           | 1.19            | 5.14           |
| Money Spent on Other Fixed Asset Purchases                                                   | (78.39)        | (82.30)         | (45.73)        |
| Computer Program Purchases                                                                   | -              | -               | (1.65)         |
| <b>Net Cash Received (Spent) from Investment Activities</b>                                  | <b>(58.67)</b> | <b>(57.24)</b>  | <b>31.69</b>   |
| Cash Flow from Financing Activities                                                          |                |                 |                |
| Increased (Decreased) Account Overdraw and Short-Term Loans from Financial Institutions      | 74.37          | (66.72)         | (2.57)         |
| Paid Long-Term Bank Loans                                                                    | 30.61          | 13.25           | (9.82)         |
| Paid Liabilities under Purchase Contracts                                                    | (2.94)         | (3.45)          | (4.59)         |
| Cash Provided from Capital Increase                                                          | -              | -               | -              |
| Dividend Payment                                                                             | (37.99)        | (61.95)         | (41.99)        |
| <b>Net Cash Received (Spent) from Financing Activities</b>                                   | <b>64.05</b>   | <b>(118.87)</b> | <b>(58.97)</b> |
| Increased (Decreased) Cash and Cash Equivalent Transactions – Net                            | (3.35)         | 73.82           | (31.12)        |
| Cash and Cash Equivalent Transactions as of 1 January                                        | 46.89          | 43.54           | 117.36         |
| Cash and Cash Equivalent Transactions as of 31 December                                      | 43.54          | 117.36          | 86.24          |

### 1.3 Table Showing a Summary of Essential Financial Ratios

| Item                                   |         | 2012   | 2013   | 2014  |
|----------------------------------------|---------|--------|--------|-------|
| Liquidity Ratios                       |         |        |        |       |
| Liquidity                              | (Times) | 1.80   | 1.88   | 1.92  |
| Quick Ratio                            | (Times) | 1.19   | 1.18   | 1.22  |
| Cash Flow Liquidity                    | (Times) | (0.04) | 0.97   | 0.28  |
| Trade Debtors' Circulation             | (Times) | 4.99   | 4.05   | 5.23  |
| Mean Debt Collection Time              | (Days)  | 73.09  | 90.12  | 69.79 |
| Circulating Inventory                  | (Times) | 12.57  | 9.64   | 9.17  |
| Average Product Selling Time           | (Days)  | 29.04  | 37.88  | 39.80 |
| Creditors' Circulation                 | (Times) | 9.50   | 7.35   | 7.75  |
| Credit Term Debt Payment Time          | (Days)  | 38.43  | 49.68  | 47.10 |
| Cash Cycle                             | (Days)  | 63.70  | 78.32  | 62.48 |
| Profit Making Ability Ratios           |         |        |        |       |
| Gross Profit                           | (%)     | 27.54  | 26.31  | 23.71 |
| Profit from Operating Activities       | (%)     | 15.94  | 11.54  | 8.55  |
| Other Profit                           | (%)     | 1.06   | 0.96   | 1.63  |
| Cash per Profit                        | (%)     | (5.69) | 269.48 | 91.35 |
| Net Profit                             | (%)     | 12.34  | 9.27   | 7.27  |
| Return on Equity Shareholders' Returns | (%)     | 28.01  | 15.88  | 11.48 |
| Performance Effectiveness Ratios       |         |        |        |       |
| Returns from Assets                    | (%)     | 17.39  | 9.77   | 7.63  |
| Returns from Fixed Assets              | (%)     | 62.79  | 38.22  | 29.12 |
| Asset Circulation                      | (Times) | 1.41   | 1.05   | 2.37  |
| Financial Policy Analysis Ratios       |         |        |        |       |
| Debt per Shareholders' Equity          | (Times) | 0.71   | 0.55   | 0.46  |
| Interest Payment Ability               | (Times) | 2.71   | 38.29  | 9.09  |
| Obligation Payment Ability             | (Times) | (0.06) | 1.46   | 0.49  |
| Dividend Payment                       | (%)     | 52.37  | 56.37  | 54.25 |

## Management Analysis and Explanation

### 1 Overall Past Performance

The company operates an electricity transformer production and distribution business involving the production of and demand for electricity because electricity transformers are equipment that aids in transforming electrical voltage from the source of production to levels meeting user demands, e.g., demands of industrial factories, residents, high-rise buildings, etc. Therefore, the business growth trend is parallel to constantly increasing electricity requirements. Consequently, the Electricity Generating Authority of Thailand and the Provincial Electricity Authority, both of which are responsible for electricity distribution to users, have had to make improvements and expansions in the country's electricity distribution system in concurrence with Thailand's electricity production development plans. This will further increase the need for electricity transformers. Post-2011 when Thailand experienced massive floods, the industrial production sector was severely affected. In 2012, therefore, the requirements for electricity transformers increased as a result of the recovery and modifications of the manufacturing sector, thereby increasing the company's revenue generated from the company's sales and services to 959.51 million baht in 2012. As for 2013 and 2014, the sales of the

company's electricity transformers and services earned less at 803.95 million and 743.83 million baht,, respectively, , as a consequence of economic conditions and domestic political problems. Throughout the past, the price for essential raw materials such as steel, silicone, copper foil or copper wire used for low voltage coiling, fluctuated greatly. However, with the experience of the management team, which has been in the electricity transformer industry for over 20 years, and the selection of modern machinery and effective production technology, the company's returns have always been profitable. Furthermore, the company recognizes the importance of the employment of Enterprise Resources Planning (ERP) in every section of the company's management, whether in production, procurement, sales, accounting or finance and including warehouse management into an interrelated system capable of real-time data connection, which has greatly enhanced work efficiency for the company.

As the company gives great importance to the quality of manufactured electricity transformers, it is evident that all of the company's electricity transformers are certified by various institutions such as the Industrial Production Standard TISI 384-2543 by the Thai Industrial Standards Institute, Ministry of Industry; ISO 9001:2000 for design, production and maintenance of electricity transformer supply systems, along with certification for Experiment Laboratories meeting TISI 17025-2548 (ISO/IEC 1725:2005). Moreover, the company is capable of manufacturing electricity transformers meeting international quality standards, which is proof of the company's international quality and customer acceptance.

## 1. Income

The company's total income was 969.70 million baht in 2012, 802.84 million baht in 2013 and 772.88 million baht in 2014. The details of the company's sales revenue and services, including other income, can be summarized as follows:

### Revenue from Sales

| Customer Type                  | 2012         |           |                 | 2013         |           |                 | 2014         |           |             |
|--------------------------------|--------------|-----------|-----------------|--------------|-----------|-----------------|--------------|-----------|-------------|
|                                | Million Baht | Ratio (%) | Growth Rate (%) | Million Baht | Ratio (%) | Growth Rate (%) | Million Baht | Ratio (%) | Growth Rate |
| State Agencies and Enterprises | 330.59       | 35.16     | 0.95            | 270.46       | 34.50     | (18.19)         | 189.58       | 25.49     | (29.90)     |
| Dealers                        | 207.94       | 22.11     | 75.07           | 169.38       | 21.61     | (19.63)         | 101.28       | 13.62     | (40.25)     |
| Private                        | 401.82       | 42.73     | 57.82           | 344.04       | 43.89     | (13.78)         | 452.97       | 60.90     | 31.71       |
| Total Sales revenue            | 940.35       | 100.00    | 34.17           | 783.88       | 100.00    | (16.64)         | 743.83       | 100.00    | (5.11)      |

For 2012, the company earned 940.35 million baht in sales revenue. This is an increase from 2011 by 34.17 percent. Income from electricity transformer sales to private customers and dealers increased from 246.41 million and 114.53 million baht, respectively, in 2011; from 401.82 million and 207.94 million baht, respectively, in 2012. The aforementioned increase caused a growth rate of 75.07 and 57.82 percent, respectively, as a product of economic growth in the country and the Asia region, which experienced investment and growth in the energy business. On the other hand, income from electricity transformer sales to state agencies and enterprises amounted to 330.59 million baht, which is similar to the amount in 2011.

For 2013, the company earned 783.88 million baht in sales revenue for a decrease from 2012 by 16.64 percent. Income from electricity transformer sales to private customers and dealers decreased from 401.82 million and 207.94 million baht, respectively, in 2012 and from 344.04 million and 169.38 million baht, respectively, in 2013. The aforementioned decrease equals rates of 13.78 and 19.63 percent, respectively, as a product of political turmoil in the region throughout the year along with heavier business competition.

For 2014, the company earned 743.83 million baht in sales revenue for a decrease from 2013 by 5.11 percent. Income from electricity transformer sales to private customers and dealers increased from 344.04 million in 2013 to 452.97 million baht in 2014 for an increase of 31.71 percent from alternative power plant projects, which expanded in 2014. On the other hand, income from dealers decreased by 169.38 million baht in 2013 to 101.28 million baht in 2014 for a decrease of 40.25 percent caused by decreased sales from dealers abroad in concurrence with the economic slowdown in the regions of the dealers' countries.

### Service Revenue

Revenue from the company's services from 2012-2014 was 19.16 million baht, 20.07 million baht and 16.68 million baht, respectively. Service revenue can be divided into (1) income from electricity transformer repairs, (2) income from transformer inspections and maintenance, and (3) income from rental fees of electricity transformers and others. In addition, if considering service revenue in 2014, the company's income from services was composed of 12.60 million baht from electricity transformer repairs (75.58% of income from services), 3.24 million baht from inspections and maintenance of electricity transformers (19.45% of income from services), and 0.45 million baht from rental fees of electricity transformers (2.70% of income from services).

### Other Revenue

Other income of the company is composed of sales revenue of scraps, gains from currency exchange and received interest, etc. In 2012-2014, the company's other income amounted to 10.20 million baht, (1.11) million baht, and 12.38 million baht, respectively. For 2014, the amount was 12.38 million baht composed of 3.58 million baht from scrap sales, 2.54 million baht from asset sales, 4.41 million baht gained from foreign currency exchange and 1.85 million baht from other income.

## (B) Capital and Costs

The company's primary costs are composed of sale and service capital, sale and administrative costs, and paid-up interest. In 2012-2014, the company's total income equaled 814.26 million baht, 718.15 million baht and 703.04 million baht, respectively. The details are as follows:

### Sale and Service Capital and Gross Profit

Sale and service capital are considered the company's main costs, and the company's sale and service capital was 695.26 million baht in 2012, 592.42 million baht in 2013, and 580.15 million baht in 2014, which amounts to 85.39 percent, 85.39 percent and 82.52 percent of all costs, respectively.

When considering sale and service capital compared to sales and service revenue, the company's ratio of the aforementioned equaled 72.76 percent, 73.69 percent, and 76.29 percent of sale and service income, respectively. However, when calculated as gross profit, the amounts equaled 27.54 percent, 26.31 percent, and 23.71 percent, respectively. The factors affecting the company's gross profit rate are as follows:

1. The composite of customers is annual because the company's customers can be divided into three main types composed of the following (1) state agencies and enterprises, (2) dealers and (3) private customers. The sale of electricity transformers to all three types of customers produces varying gross profits. State agencies and enterprises make up the group manufacturing the highest gross profit because the group makes large purchases each time and has a lower the cost per unit of electricity transformer manufacturing than other customer types, followed by foreign dealers. In 2014, the company's gross profit rate was 23.71 percent, which is lower than the year before. It is evident that the ratio of electricity transformer sales to state agencies and enterprises combined with sales to dealers equaled 39.11 percent of total sales

revenue, which is a decrease from 2012 and 2013 when the ratio of electricity transformer sales to state agencies and enterprises amounted to 57.27 and 56.11 percent of total sales revenue, respectively.

2. Capital for raw materials, especially primary raw materials such as of silicone steel, solution-soaked round wire, and copper foil, all of which are raw materials with few manufactures and fluctuations in terms of prices with demand and supply of the world market, fluctuate greatly. After the global economic crises, prices for silicon steel dropped rapidly from early 2010 to the end of 2012, which accounts for approximately 43 percent; little change was visible in 2013 with an increase of up to 37 percent in the final quarter of 2014. On the other hand, prices for solution-dipped round wire and copper foil continuously increased up until the end of 2012, which was higher than that in early 2008 by approximately 10-13 percent; and decreased from 2013-2014 by about 7-9 percent.

### Sales and Administrative Costs

The company's sales and administrative costs equaled 111.28 million baht in 2012, equaled 109.95 million baht in 2013, and equaled 115.35 million baht in 2014, which is calculated at ratios of 11.60 percent, 13.69 percent, and 14.92 percent of total income, respectively, .

The company's sales and administrative costs in 2012 were 111.28 million baht. This is an increase from 2011 by 27.81 percent because the company's costs related to executives and employees increased from 25.81 million baht in 2011 to 29.39 million baht due to adjustments to income structure, which increased the number executives and increased monthly salary. Furthermore, the company has continuously invested in fixed assets such as new office buildings or factory machinery or equipment to improve production efficiency. Therefore, price depreciation increased from 9.01 million baht in 2011 to 12.38 million baht in 2012. Hence, the company's essential sale and administrative costs in 2012 are composed of 26.41 percent from costs related to executives and employees, 11.13 percent from price depreciation, and 6.81 percent from travel costs of sale and administrative costs.

The company's sale and administrative costs in 2013 is 109.95 million baht. This is decrease from 2013 by 1.20 percent because, despite the company's gain of 7.49 million baht from currency exchange in 2014, there was a loss in currency exchange in 2013, while costs related to executives and employees increased as a result of monthly salary increase. Furthermore, the company's price depreciation increased from 12.38 million baht in 2012 to 15.84 million baht in 2013 in order to increase production effectiveness. In addition, essential sale and administrative costs in 2013 were composed of 25.32 percent from costs related to executives and employees, 13.33 percent from price depreciation and 6.74 percent for travel costs from sales and administrative costs.

The company's sales and administrative costs in 2014 amounted to 115.35 million baht. This is an increase from 2013 by 6.75 percent because the company's costs related to executives and employees increased due to an increase in monthly salary. Furthermore, the company continuously invested in fixed assets, e.g., increased marketing costs from 2013 by 23.92 percent to increase brand awareness and increase competitive opportunities. In addition essential sales and administrative costs in 2014 were composed of 21.37 percent of costs from related to executives and employees, 12.73 percent price depreciation, and 10.31 percent from marketing costs.

### Interest Expense Liabilities

From 2012-2014, the company's Interest Expense Liabilities amounted to 7.72 million baht, 6.94 million baht and 7.54 million baht, respectively. The majority of the company's Interest Expense Liabilities were created as a result of P/N and LC/TR cash-use, which are current cash-use in ordering raw materials domestically and abroad. Furthermore, the company has taken out long-term loans from a commercial bank for investing in a new office building and machinery in order to increase production effectiveness. Therefore, the aforementioned interest expense liabilities to the aforementioned long-term loans have been created.

## (C) Net Profit

Due to the aforementioned performance in 2012-2014, the company's net profits were 118.39 million baht, 74.51 million baht, and 54.52 million baht, respectively, for net profits of 12.26 percent, 9.27 percent and 7.19 percent, respectively.

If considering the company's net profit for previous years, it is evident that the company's net profit rate has either increasing or decreasing trends depending on the company's income, including ratio of income from product sales such as customer groups with an increased ratio of high gross profit, because approximately 37-40 percent of the company's sales and administrative costs do not fluctuate according to income, e.g., costs related to executives and employees, depreciation costs, etc. Furthermore, in 2012, the company's sales revenue increased at the rate of 34.17 percent from 2011. However, the net profit rate increased only slightly due to increased sales to private customers and dealers. And in 2013, net profit decreased due to a decrease in the company's sales revenue at 16.64 percent from 2012. Moreover, the company's sale and administrative costs did not fluctuate according to the aforementioned income.

For 2014, the company's net profit decreased to 7.19 percent as a result of decreased company sales by 5.11 percent from 2012 along with increased sale of products to private customers and dealers. Moreover, in 2014, the company faced heavy competition and economic slowdown.

### Return on Equity

When return on equity is considered, it becomes clear that return on equity adjusts in line with the rate of net profit increase. The company's return on equity equaled 28.01 percent in 2012, 15.88 percent in 2013, and 11.48 percent in 2014. The company's rate of return on equity decreased in comparison with the value in 2013 because gains in 2014 decreased when compared with 2013. Furthermore the company's shareholders' equity increased as a result of the company's operations by 2.63 percent. In addition, from 2012-2014, the company consistently paid dividends to shareholders, which amounted to the rates of 52.37 percent, 56.37 percent, and 55.03 percent, respectively.

## 2 Financial Position

### (A) Assets

At of the end of year from 2012-2014, the company's total assets equaled 786.97 million baht, 735.84 million baht and 712.78 million baht, respectively. The company's essential assets are as follows: land, building, and equipment; trade debtors and inventory. In 2014, the ratios of the aforementioned assets to total assets were 45.37 percent, 20.93 percent, and 19.12 percent, respectively. Hence, the details of the company's essential assets can be summarized as follows:

#### Trade Debtors

The company's trade debtors prior to deducting allowance in cases of void debts is 262.11 million baht as of the end of 2012, 134.61 million baht as of the end of 2013, and 157.82 million baht as of the end of 2014. The company's trade debtors prior to deducting allowance for doubtful accounts increased by 17.24 percent when compared to 2013 because the company's sale of products near the end of 2014 was rather high. As a result, many trade debtors were created, most of which are not yet due for payment.

The company has policy for providing approximately 30-60 days of credit term to customers. For new customers, however, the company may stipulate that customers pay for products in cash prior to delivery or pay advanced deposits. For foreign customers, stipulations may be made for the customer to make account transfers or L/C at sight payments depending on customer analysis by the Sales Department. Primarily, consideration is based on the customer's ability to repay debts, and throughout the past, the company's average debt collection times have been 73.09 days for 2012 and 90.12 days for 2013 and 69.78 days for 2014.

| Duration of Deferred payments                                    | As of 31 DEC 2012 |         | As of 31 DEC 2013 |         | As of 31 DEC 2014 |         |
|------------------------------------------------------------------|-------------------|---------|-------------------|---------|-------------------|---------|
|                                                                  | Million Baht      | Percent | Million Baht      | Percent | Million Baht      | Percent |
| Not due                                                          | 160.73            | 61.33   | 67.56             | 51.37   | 77.63             | 50.13   |
| Overdue by:                                                      |                   |         |                   |         |                   |         |
| No more than three months                                        | 92.25             | 35.20   | 53.46             | 40.64   | 60.59             | 39.13   |
| 3-6 months                                                       | 1.80              | 0.69    | 4.60              | 3.49    | 3.40              | 2.20    |
| 6-12 months                                                      | 0.69              | 0.27    | 0.46              | 0.35    | 4.55              | 2.94    |
| Over 12 months                                                   | 6.64              | 2.54    | 5.46              | 4.15    | 8.67              | 5.60    |
| Trade Debtors prior to Deducting Allowance for Doubtful Accounts | 262.11            | 100.00  | 131.53            | 100.00  | 154.84            | 100.00  |
| Less: Allowance for Doubtful Accounts                            | (4.11)            |         | (5.46)            |         | (8.67)            |         |
| Trade Debtors – Net                                              | 258.00            |         | 126.07            |         | 143.17            |         |

According to the above table, it is evident that the company's undue debtors as of the end of 2012-2014 amounted to 61.33 percent, 51.37 percent, and 50.13 percent of trade debtors prior to deducting allowance for doubtful accounts, respectively. On the other hand, the company's deferred payments were 38.67 percent, 48.63 percent, and 49.87 percent of total trade debtors prior to deducting allowance for doubtful accounts, respectively. For the most part, deferred payments are for no more than three months because the company is unable to collect debts and waiting for the installment and billing due for customer payment. Another reason is due to the fact that the majority of the company's customers from the private sector are electricity system contractors that purchased the company's electricity transformers for installation in various projects. Therefore, payment for the aforementioned products relies solely on whether the aforementioned customers collected money from project owners, which may take a long time for some. Nevertheless, the company is able to fully collect debts from the aforementioned debtors.

As of the ends of year for 2012-2014, the company's ratio of overdue debtors by more than one year were 2.54 percent, 4.15 percent and 5.60 percent of total trade debtors prior to deducting allowance for doubtful accounts, respectively. In 2014, the total of overdue debtors by more than one year increased from 2013 by 58.74 percent. The company has given considerations to monitoring the aforementioned debts such as legal actions or negotiations for debtors to gradually pay debts to the company to contactable debtors. Consideration is based on the suitability and necessities of each debtor and the management will prioritize and monitor the progress and actions of related parties closely during meetings, which are organized every month. Consequent to the aforementioned actions, the company received debt payment from debtors for which allowance for doubtful accounts was set at the amount of 1.18 million baht in 2012, 1.36 million baht in 2013, and 2.11 million baht in 2014. As for the policy to set an allowance for doubtful accounts in 2012, the company gave consideration to the allowance for doubtful accounts based on the amount of money expected to be uncollectable. Considerations are based on debt collection experience and the status of each current debtor. For 2013 and 2014, the company set 8.67 million baht in allowance for doubtful accounts.

### Inventory

As of the ends of year for 2012-2014, the company's inventory before deducting allowance for product depreciation and decreased value were 179.37 million baht, 154.87 million baht, and 139.72 million baht, respectively. The largest inventory of product components was composed of raw materials, which are calculated in comparison with total inventory at 55.86 percent, 44.49 percent, and 59.66 percent, respectively, due to the following:

- The main materials used in the production of electricity transformers are silicon steel and copper foil, both of which are not manufactured by many and require advanced ordering from suppliers in order to obtain sufficient materials for production and to decrease risk of price fluctuation.

- Generally, many sizes of raw materials are needed in order to manufacture one unit of electricity transformer. The amount of raw materials differs for each size and minimum orders are required for material orders. Therefore, an inventory of raw materials remains.
- Since certain raw materials such as copper foil, solution-soaked round wire, etc. are in the form of rolls and the requisition for raw materials will leave scrap copper or wire at the ends of the rolls, the company will sell the aforementioned materials accordingly. Before amortizing the projects, the company continues to record the aforementioned copper scrap or wire as inventory.

|                                                              | As of 31 DEC 2012 |         | As of 31 DEC 2013 |         | As of 31 DEC 2014 |         |
|--------------------------------------------------------------|-------------------|---------|-------------------|---------|-------------------|---------|
|                                                              | Million Baht      | Percent | Million Baht      | Percent | Million Baht      | Percent |
| Raw Materials                                                | 100.19            | 55.86   | 62.72             | 40.49   | 59.66             | 42.70   |
| Ongoing Work                                                 | 11.45             | 6.39    | 21.17             | 13.67   | 11.27             | 8.07    |
| Manufactured Goods                                           | 57.22             | 31.90   | 65.75             | 42.46   | 60.75             | 43.47   |
| In Transit Goods                                             | 10.51             | 5.86    | 5.23              | 3.38    | 8.04              | 5.76    |
| Total Inventory                                              | 179.37            | 100.00  | 154.87            | 100     | 139.72            | 100     |
| Less: Allowance for Quality Depreciation and Decreased Value | (3.13)            |         | (3.52)            |         | (3.44)            |         |
| Inventory – Net                                              | 176.24            |         | 151.35            |         | 136.28            |         |

When comparing manufactured goods with inventory, the ratios were 31.90 percent as of the end of 2012, 42.46 percent as of the end of 2013, and 43.47 percent as of 2014. It is evident that the aforementioned change and the same direction with sales times, which equaled 29.04 days, 37.88 days, and 39.80 days, respectively. In addition, manufactured goods are composed of (1) manufactured electricity transformers waiting for customer deliveries because for the sale of the majority of the company's electricity transformers, customers sometimes reschedule delivery time, thereby causing the company to continue recording the aforementioned electricity transformers as manufactured goods in accordance with the company's accounting policy to record income only once electricity transformers are delivered to customers. (2) electricity transformers manufactured for sales reserves in line with the fact that the company's sales totals grew exponentially in 2011 and 2012. The company has given greater importance to reserving manufactured electricity transformers for sale from 2013 onward. The reserved transformers are standard electricity transformers that are regularly ordered, which improved the company's production planning. As a result of the aforementioned results, the company's inventory of manufactured electricity transformers has increased.

For 2014, the company's inventory before deducting allowances for product depreciation and product value decrease was 139.73 million baht. This is a decrease from the end of 2013 by 9.78 percent. The aforementioned inventory before the aforementioned allowances are composed of 67.71 million baht of raw materials, a decrease from the total as of the end of 2013 by 0.36 percent; 11.27 million baht of ongoing work, a decrease from the total as of the end of 2013 by 46.78 percent; and 60.75 million baht of manufactured goods, a decrease from the total as of the end of 2013 by 7.60 percent. It is evident, therefore, that ongoing work decreased significantly. This is a result of the final quarter of 2014 when the company rushed to manufacture electricity transformers to meet customer delivery schedules. The aforementioned were numerous as can be seen from the company's sales in the final quarter of the year which were up to 368.27 million baht.

As of the ends of 2013 and 2014, the company's allowances for product depreciation equaled 2.11 million baht and 1.77 million baht, respectively, both of which are allowances set for all types of product inventory. The Production Department bases consideration on the utility of each inventory item. If any inventory item cannot be reutilized, the company will consider selling the aforementioned inventory as raw material scrap and set an allowance for product depreciation at the amount equal to the difference between the costs and expected selling price. Furthermore, the company's allowance for product value decrease is 1.41 as of the end of 2013 and 1.67 as of the end of 2014. The aforementioned are allowances set for manufactured goods with considerations based on the difference in electricity transformer costs and net value expected to be obtained from sales.

## Land, Buildings and Equipment

The company owned a net value for land, buildings, and equipment of 259.39 million baht as of the end of 2012, 314.17 million baht as of the end of 2013, and 323.42 million baht as of the end of 2014, which can be calculated to be a ratio per total assets of 32.96 percent, 42.60 percent and 45.37 percent, respectively. In 2012, the company's net land, buildings and equipment increased from 2011 by 61.86 million baht. This is because the company constructed an office building (completed in 2012) and additional factory buildings at the cost of 30.03 million baht and invested 22.10 million baht in the purchase of additional machinery and equipment, e.g., steel slit machines, steel cutters, coiler, etc.

In 2013, the company's net land, buildings and equipment increased from 2012 by 54.80 million baht because the company spent 15.87 million baht on the construction of additional factory buildings and invested 74.00 million baht in the purchase of additional machinery and equipment, such as transformer testing machine, steel cutter, coiler, etc.

For 2014, the company's machinery and factory equipment increased from 2013 by 43.38 million baht from investments in machinery and factory equipment purchases to increase production effectiveness, e.g., steel cutters, steel folders, etc.

## (B) Liquidity

### Cash Flow

In 2012, the company's net cash flow spent on operations was only 8.70 million baht. Although the company's profit before tax deduction was as high as 155.44 million baht, it was spent as current capital. On the other hand, trade debtors increased by 145.39 million baht and goods increased by 28.94 million baht and the company increased investment in fixed assets by 78.39 million baht. Important assets that were invested on were 30.03 million baht for office and factory buildings, 22.10 million baht for machinery and equipment. Furthermore, the company purchased addition office supplies and decorations and vehicles. Meanwhile, the company's net cash flow from financing activities was 64.05 million baht, the company took additional loans from financial institutions at the amount of 74.37 million baht, additional long-term loans of 46.27 million baht and dividend payment to shareholders at the amount of 37.99 million baht. Due to the aforementioned, the company's cash and cash equivalent transactions in 2012 decreased by 3.35 million baht.

In 2013, the company's net cash flow from operations is 249.93 million baht. This is because the company's profit prior to tax deduction is 93.53 million baht and received payments from debtors at the amount of 130.92 million baht. Furthermore, the company's inventory decreased by 24.50 million baht, and the company increased investment in fixed assets by 82.30 million baht. Important assets the company invested on are e.g., factory buildings (15.87 million baht), machinery and equipment (74.00 million baht). Meanwhile, the company's net cash flow spent on financing activities was 118.87 million baht; the company repaid 66.72 million baht for short-term loans from financial institutions, took 29 million baht of additional long-term loans and paid 61.95 million baht of dividends to shareholders. Due to the aforementioned, the company's cash and cash equivalent transactions in 2013 increased by 73.82 million baht.

For 2014, the company's net cash flow from operations equaled 59.54 million baht. This is a decrease from 2013 because the company's profit prior to tax deduction of 69.84 million baht was used as current capital, while trade debtors increased by 24.23 million baht, and the company increased investments in fixed assets by 45.73 million baht. Of the aforementioned, important assets in which the company invested included machinery and factory equipment (29.20 million baht), office utility and decorations (6.57 million baht) and vehicles (3.15 million baht), and the company's net cash flow spent on financing activities equaled 58.98 million baht. The company repaid 25.22 million baht to long-term investments taken from banks, increased long-term loans by 15.40 million baht and paid 42.00 million baht of dividends to shareholders. Therefore, due to the aforementioned, the company's cash and cash equivalent transactions in 2014 decreased by 31.12 million baht.

| (Unit : Million Baht)                                             | 2012    | 2013     | 2014    |
|-------------------------------------------------------------------|---------|----------|---------|
| Net cash received (spent) from/on operating activities            | (8.70)  | 249.93   | 59.54   |
| Net cash received (spent) from/on investment activities           | (58.70) | (57.23)  | (31.69) |
| Net cash received (spent) from/on financing activities            | 64.05   | (118.87) | (58.98) |
| Increased (decreased) cash and cash equivalent transactions – net | (3.35)  | 73.82    | (31.12) |

### Ratio of Liquidity

As of the end of 2012-2014, the company's liquidity ratios are 1.80 times, 1.88 times and 1.92 times, respectively, and the company's quick ratios were 1.19 times, 1.18 times and 1.22 times, respectively. The cause for the quick ratios to differ largely from liquidity ratios was that the company's ratio of inventory per current asset were high at 33.59 percent, 36.17 percent and 35.59 percent, respectively.

When viewing the company's cash cycle, the company's cash cycle were 63.70 days in 2012, 78.32 days in 2013 and 62.48 days in 2014, while the company's average debt collection times from 2012-2014 were 73.09 days, 90.12 days and 69.79 days, respectively. In 2013, the company's debt collection time increased because the company had sales on large projects with the work delivery of which near the end of the year in 2012, thereby increasing the company's deferred debtors. In conjunction, domestic political problems resulted in delayed debt collection. The company's credit term was 49.68 days in 2014, and the company's debt collection time was 69.79 days. This is a decrease from the year before because the company changed its actions and closely monitored debts in order to increase debt collection effectiveness.

|                                         | 2012  | 2013  | 2014  |
|-----------------------------------------|-------|-------|-------|
| Liquidity Ratio (times)                 | 1.80  | 1.88  | 1.92  |
| Quick Ratio (times)                     | 1.19  | 1.18  | 1.22  |
| Average Debt Collection Time (times)    | 73.09 | 90.12 | 69.79 |
| Average Debt Goods Selling Time (times) | 29.04 | 37.88 | 39.80 |
| Credit Term (times)                     | 38.43 | 49.68 | 47.10 |
| Cash Cycle (times)                      | 63.70 | 78.32 | 62.48 |

### (B) Sources of Capital Liabilities

As of the end of 2012-2014, the company's total liabilities were 326.06 million baht, 260.42 million baht and 224.66 million baht, respectively. It is evident, therefore, that the company's total liabilities increased or decreased with increases or decreases in sales, because the company has to purchase enough raw materials for goods manufacturing. Therefore, if considering the company's liability structure, it will be found that the majority of the company's liabilities are current liabilities existing as part of normal business operations of the company. If calculating as ratio per total liabilities, the company's current liabilities equaled 89.28 percent as of the end of 2012, 85.15 percent as of the end of 2013 and 88.59 percent as of the end of 2014. The company's important current liabilities are composed of short-term loans taken from financial institutions that amounted to 29.65 percent of total liabilities as of the end of 2014. The majority of the aforementioned were promissory notes (P/N) and LC/TR used in making raw material purchases domestically and abroad. Furthermore, the current liabilities include trade creditors, which amounted to 29.43 percent of total liabilities as of the end of 2014.

### Shareholder's Equity

As of the end of 2012, the company's registered capital was 200 million baht and shareholders' equity was 462.91 million baht. This was an increase from the end of 2011 by 80.40 million baht. The increase was due to 118.40 million baht of gains from operating activities, while the company paid 37.99 million baht of dividends to shareholders.

As of the end of 2013, the company's shareholders' equity was 475.42 million baht. This is an increase from the end of 2012 by 12.51 million baht. The increase is as a result of 74.51 million baht of gains from operating activities subtracted by the company's 62.00 million baht payment of dividends to shareholders. As of the end of 2014, the company's shareholders' equity was 488.12 million baht. This was an increase from the end of 2013 by 12.70 million baht. The increase was a result of the company's gains from operating activities less the company's 42.00 million baht payment of dividends to shareholders.

#### Capital Structure Viability

The company's ratio of liability per shareholders' equity was 0.71 times as of the end of 2012 and 0.55 times as of the end of 2013 and 0.46 times as of the end of 2014. In 2012, the company's ratio of liability per shareholders' equity was rather high when compared to other years, primarily due to the final quarter of the year when the company purchased large quantities of raw materials to meet manufacturing requirements for the fourth quarter of 2012 and the first quarter of 2013. The aforementioned purchases increased short-term loans used in operating activities by 137.24 million baht in 2012 from 64.46 million baht in 2011. Furthermore, in 2012, the company's long-term loans increased to 40.77 million baht from 10.16 million baht in 2011 due to investments in office and factory buildings and machinery in order to improve production effectiveness. Moreover, in 2014, the company's ratio of liabilities per shareholders' equity was 0.46 times, which is rather low when compared to the previous year. This is due to the fact that the company's long-term loans that amounted to 44.19 million baht was a decrease from the value in 2013 of 54.02 million baht for normal expenditures and investments in machinery and factory equipment to improve production effectiveness in 2013.

### 3 Primary Factors and Influences with Potential Impact on Performance and Financial Position

There are impacts from the uncertainty of project auctions because customers that are state producers and distributors of electricity and state enterprises such as the Metropolitan Electricity Authority of Thailand and the Provincial Electricity Authority purchase electricity transformers through price auctions. Therefore, the company's sales revenue may become more uncertain due to dependence on the public agencies and enterprises' ability to auction projects. Furthermore, the company's future performance and financial position is primarily dependent on economic conditions and the budget of each agency, which will affect the period the aforementioned agencies organize auctions. In the past, the company's income from the sale of electricity transformers to this type of customers amount to about 32-45 percent of total sales revenue, which is a rather high ratio. Nevertheless, the company and the company's executives have had business interactions with the aforementioned customer group for a long duration of time, so the company has always had good relations with the Metropolitan Electricity Authority and the Provincial Electricity Authority and have credibility in terms of electricity transformer quality. In addition, the company is considered one of the few manufacturers capable of producing high quality electricity transformers that meet the requirements of both agencies. Therefore, executives believe that the company has the potential to consistently sell electricity transformers to the Metropolitan Electricity Authority and the Provincial Electricity Authority in the long run.

### 4 Auditor's Remunerations

In the 2014 fiscal year ending 31 December 2014, the company paid an audit fee of 860,000 baht to an auditor belonging to Grand Thornton CO., LTD. Other than the aforementioned fee, the company has no other payments pending payment to the auditor, the audit office to which the auditor belongs or related people or businesses to the auditor or auditor office to which the auditor belongs.

QTC ENERGY PUBLIC COMPANY LIMITED

# Statements of Financial Position

AS AT 31 DECEMBER 2014

## ASSETS

|                                                     |       | Baht               |                    |
|-----------------------------------------------------|-------|--------------------|--------------------|
|                                                     | Notes | 31 December 2014   | 31 December 2013   |
| <b>CURRENT ASSETS</b>                               |       |                    |                    |
| Cash and cash equivalents                           | 5     | 86,235,626         | 117,360,228        |
| Temporary investment                                | 6     | 108,405            | 10,842,674         |
| Trade accounts receivable - general customers - net | 7     | 146,173,389        | 126,072,694        |
| - related companies                                 | 7, 8  | 2,985,557          | 3,085,449          |
| Inventories - net                                   | 9     | 136,286,162        | 151,350,355        |
| Refundable value added tax                          |       | 1,933,404          | 375,716            |
| Other current assets                                |       | 9,259,672          | 7,771,228          |
| <b>Total current assets</b>                         |       | <b>382,982,215</b> | <b>416,858,344</b> |
| <b>NON - CURRENT ASSETS</b>                         |       |                    |                    |
| Restricted deposits with bank                       | 10    | 773,995            | 579,588            |
| Other investment                                    | 11    | 50,000             | 50,000             |
| Property, plant and equipment - net                 | 12    | 323,424,007        | 314,170,253        |
| Computer software - net                             | 13    | 2,111,760          | 1,640,317          |
| Deferred income tax asset                           | 17.1  | 3,442,953          | 2,545,110          |
| <b>Total non - current assets</b>                   |       | <b>329,802,715</b> | <b>318,985,268</b> |
| <b>TOTAL ASSETS</b>                                 |       | <b>712,784,930</b> | <b>735,843,612</b> |

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

# Statements of Financial Position (Continued)

AS AT 31 DECEMBER 2014

## LIABILITIES AND SHAREHOLDERS' EQUITY

|                                                    |       | Baht             |                  |
|----------------------------------------------------|-------|------------------|------------------|
|                                                    | Notes | 31 December 2014 | 31 December 2013 |
| CURRENT LIABILITIES                                |       |                  |                  |
| Short - term loans from banks                      | 14    | 66,675,216       | 74,048,052       |
| Trade accounts payable                             |       | 66,167,347       | 75,985,382       |
| Other payable                                      |       | 3,045,304        | 4,532,156        |
| Current portion of                                 |       |                  |                  |
| - Long - term loans                                | 15    | 24,679,459       | 22,932,000       |
| - Liabilities under financial lease agreements     | 16    | 3,626,927        | 3,075,568        |
| Accrued income tax                                 |       | 12,926,416       | 11,103,293       |
| Accrued expenses                                   | 18    | 12,374,617       | 12,314,347       |
| Advance from customers                             |       | 3,757,698        | 7,651,213        |
| Other current liabilities                          | 19    | 5,769,757        | 10,111,066       |
| Total current liabilities                          |       | 199,022,741      | 221,753,077      |
| NON - CURRENT LIABILITIES                          |       |                  |                  |
| Long - term loans - net                            | 15    | 19,515,400       | 31,084,859       |
| Liabilities under financial lease agreements - net | 16    | 3,554,767        | 5,156,614        |
| Employee benefits obligation                       | 20    | 2,567,572        | 2,428,554        |
| Total non - current liabilities                    |       | 25,637,739       | 38,670,027       |
| TOTAL LIABILITIES                                  |       | 224,660,480      | 260,423,104      |

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

QTC ENERGY PUBLIC COMPANY LIMITED

# Statements of Financial Position (Continued)

AS AT 31 DECEMBER 2014

## LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)

|                                                   | Baht               |                    |
|---------------------------------------------------|--------------------|--------------------|
|                                                   | 31 December 2014   | 31 December 2013   |
| <b>SHAREHOLDERS' EQUITY</b>                       |                    |                    |
| Share capital : common share, Baht 1 par value    |                    |                    |
| Registered 200,000,000 shares                     | 200,000,000        | 200,000,000        |
| Issued and fully 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                  | 20,000,000         | 20,000,000         |
| - Unappropriated                                  | 222,185,386        | 209,481,444        |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 | <b>488,124,450</b> | <b>475,420,508</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>712,784,930</b> | <b>735,843,612</b> |

# Statements of Comprehensive Income

FOR THE YEARS ENDED 31 DECEMBER 2014

|                                                       | Notes  | Baht                 |                      |
|-------------------------------------------------------|--------|----------------------|----------------------|
|                                                       |        | 2014                 | 2013                 |
| <b>Income from sales and services</b>                 |        |                      |                      |
| Sales                                                 | 26     | 743,826,369          | 783,879,695          |
| Service income                                        | 26     | 16,675,786           | 20,074,959           |
| <b>Total income from sales and services</b>           |        | <b>760,502,155</b>   | <b>803,954,654</b>   |
| <b>Cost of sales and services</b>                     |        |                      |                      |
| Cost of sales                                         | 24, 26 | (565,141,901)        | (582,686,601)        |
| Cost of services                                      | 24, 26 | (15,011,497)         | (9,733,061)          |
| <b>Total cost of sales and services</b>               |        | <b>(580,153,398)</b> | <b>(592,419,662)</b> |
| <b>Gross profit</b>                                   |        | <b>180,348,757</b>   | <b>211,534,992</b>   |
| Other income                                          |        | 7,963,799            | 6,377,232            |
| Gain (loss) on exchange rate                          |        | 4,414,415            | (7,489,281)          |
| <b>Income before expenses</b>                         |        | <b>192,726,971</b>   | <b>210,422,943</b>   |
| Selling expenses                                      | 24     | (39,887,393)         | (36,691,338)         |
| Administrative expenses                               | 24     | (75,463,491)         | (73,254,255)         |
| <b>Total expenses</b>                                 |        | <b>(115,350,884)</b> | <b>(109,945,593)</b> |
| <b>Income before financial cost and income tax</b>    |        | <b>77,376,087</b>    | <b>100,477,350</b>   |
| Financial cost                                        |        | (7,539,040)          | (6,942,414)          |
| <b>Income before income tax</b>                       |        | <b>69,837,047</b>    | <b>93,534,936</b>    |
| Income tax                                            | 17.2   | (14,541,979)         | (19,025,338)         |
| <b>Income for the year</b>                            |        | <b>55,295,068</b>    | <b>74,509,598</b>    |
| <b>Other comprehensive income (loss) for the year</b> |        |                      |                      |
| Actuarial loss                                        |        | (591,756)            | -                    |
| <b>Total comprehensive income (loss) for the year</b> |        | <b>54,703,312</b>    | <b>74,509,598</b>    |
| <b>Basic earnings per share</b>                       |        |                      |                      |
| Income (Baht per share)                               |        | 0.28                 | 0.37                 |
| Weighted average number of common shares (share)      |        | 200,000,000          | 200,000,000          |

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

QTC ENERGY PUBLIC COMPANY LIMITED

# Statements Of Changes In Shareholders' Equity

FOR THE YEARS ENDED 31 DECEMBER 2014

|                                          | Note | Baht                                           |                             |                   |                |              |
|------------------------------------------|------|------------------------------------------------|-----------------------------|-------------------|----------------|--------------|
|                                          |      | Issued and fully<br>paid - up<br>share capital | Premium on<br>common shares | Retained Earnings |                | Total        |
|                                          |      |                                                |                             | Legal reserve     | Unappropriated |              |
| <b>Balance as at 1 January 2013</b>      |      | 200,000,000                                    | 45,939,064                  | 20,000,000        | 196,971,846    | 462,910,910  |
| Dividend paid                            |      | -                                              | -                           | -                 | (62,000,000)   | (62,000,000) |
| Comprehensive income (loss) for the year |      | -                                              | -                           | -                 | 74,509,598     | 74,509,598   |
| <b>Balance as at 31 December 2013</b>    |      | 200,000,000                                    | 45,939,064                  | 20,000,000        | 209,481,444    | 475,420,508  |
| <b>Balance as at 1 January 2014</b>      |      | 200,000,000                                    | 45,939,064                  | 20,000,000        | 209,481,444    | 475,420,508  |
| Dividend paid                            | 22   | -                                              | -                           | -                 | (41,999,370)   | (41,999,370) |
| Comprehensive income (loss) for the year |      | -                                              | -                           | -                 | 54,703,312     | 54,703,312   |
| <b>Balance as at 31 December 2014</b>    |      | 200,000,000                                    | 45,939,064                  | 20,000,000        | 222,185,386    | 488,124,450  |

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

# Statements of Cash Flows

FOR THE YEARS ENDED 31 DECEMBER 2014

|                                                                                                         | Baht         |              |
|---------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                         | 2014         | 2013         |
| <b>Cash flows from operating activities</b>                                                             |              |              |
| Income before income tax                                                                                | 69,837,047   | 93,534,936   |
| <b>Adjustments to reconcile income before income tax to net cash provided from operating activities</b> |              |              |
| Depreciation and amortization                                                                           | 38,100,079   | 35,950,042   |
| Allowance for doubtful accounts                                                                         | 3,206,511    | 1,350,920    |
| Allowance for obsolete and decline value of inventories                                                 | 83,078       | 396,433      |
| Gain on disposal of fixed assets                                                                        | (2,438,039)  | (1,003,060)  |
| Unrealized gain on exchange rate                                                                        | (3,795,967)  | (1,754,980)  |
| Unrealized gain on revaluation of investment                                                            | (943)        | (2,970)      |
| Employee benefits obligation expense                                                                    | 1,252,395    | 208,613      |
| Interest expense                                                                                        | 7,539,040    | 6,942,414    |
| <b>Cash provided from operations before changes in operating assets and liabilities</b>                 | 113,783,201  | 135,622,348  |
| <b>Decrease (increase) in operating assets</b>                                                          |              |              |
| Trade accounts receivable - general customers                                                           | (24,232,265) | 130,922,537  |
| Trade accounts receivable - related companies                                                           | 119,025      | (2,811,874)  |
| Inventories                                                                                             | 14,981,115   | 24,498,717   |
| Refundable value added tax                                                                              | (1,557,688)  | 3,041,108    |
| Other current assets                                                                                    | (1,488,444)  | 171,517      |
| <b>Increase (decrease) in operating liabilities</b>                                                     |              |              |
| Trade accounts payable                                                                                  | (9,921,645)  | (1,472,334)  |
| Other payable                                                                                           | (1,486,852)  | 1,224,347    |
| Accrued expenses                                                                                        | 60,270       | (811,778)    |
| Customers advances                                                                                      | (3,893,515)  | 4,229,580    |
| Other current liabilities                                                                               | (4,359,609)  | 1,191,455    |
| Payment for employee benefit obligation                                                                 | (1,974,080)  | -            |
| <b>Cash provided from operations</b>                                                                    | 80,029,513   | 295,805,623  |
| Interest payment                                                                                        | (7,017,593)  | (6,844,700)  |
| Income tax payment                                                                                      | (13,468,760) | (39,034,251) |
| <b>Net cash provided from operating activities</b>                                                      | 59,543,160   | 249,926,672  |

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

QTC ENERGY PUBLIC COMPANY LIMITED

# Statements of Cash Flows (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2014

|                                                             | Baht                |                      |
|-------------------------------------------------------------|---------------------|----------------------|
|                                                             | 2014                | 2013                 |
| <b>Cash flows from investing activities</b>                 |                     |                      |
| Increase in restricted cash deposits                        | (194,407)           | (579,588)            |
| Decrease in temporary investment                            | 10,735,212          | 24,451,600           |
| Proceeds from sales of fixed assets                         | 5,142,471           | 1,196,263            |
| Purchases of fixed asset                                    | (45,729,758)        | (82,303,546)         |
| Purchases of computer program                               | (1,645,950)         | -                    |
| <b>Net cash used in investing activities</b>                | <b>(31,692,432)</b> | <b>(57,235,271)</b>  |
| <b>Cash flows from financing activities</b>                 |                     |                      |
| Decrease in short - term loan from banks                    | (2,567,333)         | (66,717,249)         |
| Increase in long - term loans from banks                    | 15,400,000          | 29,920,000           |
| Repayment of long - term loans                              | (25,222,000)        | (16,672,000)         |
| Payment of liabilities under financial lease                | (4,586,627)         | (3,447,646)          |
| Paid for dividend                                           | (41,999,370)        | (61,952,074)         |
| <b>Net cash used in financing activities</b>                | <b>(58,975,330)</b> | <b>(118,868,969)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(31,124,602)</b> | <b>73,822,432</b>    |
| <b>Cash and cash equivalents at beginning of year</b>       | <b>117,360,228</b>  | <b>43,537,796</b>    |
| <b>Cash and cash equivalents at end of year</b>             | <b>86,235,626</b>   | <b>117,360,228</b>   |
| <b>Supplemental cash flows information</b>                  |                     |                      |
| Non cash transactions :                                     |                     |                      |
| Purchase assets under financial lease agreements            | 3,154,000           | 2,487,008            |

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

# Note to Financial Statements

AS AT 31 DECEMBER 2014 AND 2013

## 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 and registered the change of its status to a Public Company on 19 August 2010. The Company's shares had been listed for trading in "MAI" of the Stock Exchange of Thailand (SET) on 28 July 2011. The Company is engaged in the manufacturing, distribution 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, Bangkapi, 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 officially prepared in Thai in accordance with the Accounting Act B.E. 2543 and Thai Financial Reporting Standards issued under the Accounting Professions Act B.E. 2547 and the financial reporting requirements promulgated by the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535. The translation of these financial statements to other language should conform to the official report in Thai.

The financial statements have been prepared on a historical cost basis, except as otherwise disclosed specifically.

### 2.1 Accounting standards that became effective in the current accounting year and those that will become effective in the future.

Accounting standards that became effective in the current accounting year

Accounting Standards:

|                       |                                                  |
|-----------------------|--------------------------------------------------|
| TAS 1 (revised 2012)  | Presentation of Financial Statements             |
| TAS 7 (revised 2012)  | Statement of Cash Flows                          |
| TAS 12 (revised 2012) | Income Taxes                                     |
| TAS 17 (revised 2012) | Leases                                           |
| TAS 18 (revised 2012) | Revenue                                          |
| TAS 19 (revised 2012) | Employee Benefits                                |
| TAS 21 (revised 2012) | The Effects of Changes in Foreign Exchange Rates |
| TAS 24 (revised 2012) | Related Party Disclosures                        |

#### Accounting Standards: (Continued)

|                       |                             |
|-----------------------|-----------------------------|
| TAS 28 (revised 2012) | Investments in Associates   |
| TAS 31 (revised 2012) | Interests in Joint Ventures |
| TAS 34 (revised 2012) | Interim Financial Reporting |
| TAS 36 (revised 2012) | Impairment of Assets        |
| TAS 38 (revised 2012) | Intangible Assets           |

#### Financial Reporting Standards:

|                       |                                                              |
|-----------------------|--------------------------------------------------------------|
| TFRS 2 (revised 2012) | Share-based Payment                                          |
| TFRS 3 (revised 2012) | Business Combinations                                        |
| TFRS 5 (revised 2012) | Non-current Assets Held for Sale and Discontinued Operations |
| TFRS 8 (revised 2012) | Operating Segments                                           |

#### Accounting Standard Interpretations:

|         |                                                                              |
|---------|------------------------------------------------------------------------------|
| TSIC 15 | Operating Leases - Incentives                                                |
| TSIC 27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |
| TSIC 29 | Service Concession Arrangements: Disclosures                                 |
| TSIC 32 | Intangible Assets - Web Site Costs                                           |

#### Financial Reporting Standard Interpretations:

|          |                                                                                                      |
|----------|------------------------------------------------------------------------------------------------------|
| TFRIC 1  | Changes in Existing Decommissioning, Restoration and Similar Liabilities                             |
| TFRIC 4  | Determining whether an Arrangement contains a Lease                                                  |
| TFRIC 5  | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| TFRIC 7  | Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies    |
| TFRIC 10 | Interim Financial Reporting and Impairment                                                           |
| TFRIC 12 | Service Concession Arrangements                                                                      |
| TFRIC 13 | Customer Loyalty Programmes                                                                          |
| TFRIC 17 | Distributions of Non-cash Assets to Owners                                                           |
| TFRIC 18 | Transfers of Assets from Customers                                                                   |

#### Accounting Treatment Guidance for Stock Dividend

These accounting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These accounting standards do not have any significant impact on the financial statements.

## 2.2 Accounting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new accounting standards that become effective for fiscal years beginning on or after 1 January 2015. These accounting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management believes there is no any significant impact on the financial statements in the year in which they are adopted. However, some of these accounting standards involve changes to key principles which are relevance to the Company, as discussed below.

### TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognize actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognize such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognize them gradually in profit or loss.

### TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company has control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

### TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other accounting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognized prospectively.

Based on the preliminary analysis, the management believes that this standard will not have any significant impact on the financial statements.

## 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 net of discounts.

Service income, excluding value added tax, 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 the net realizable value. 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 consists of purchasing price and other related direct cost, net of excluding discounts and allowances (if any).

Costs of finished goods and work in process consist of raw materials, direct labor, other direct expenses and overhead which are 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 defectiveness.

### Property, plant and equipment

Property, plant and equipment are presented at cost less accumulated depreciation. Cost is measured by the cash or cash equivalent price of obtaining the asset that bring it to the location and condition necessary for its intended use. 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.

Depreciation is computed by the straight - line method over the estimated useful lives of the assets based on the segregation of components, 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            | 5 and 10 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 a straight-line basis over the estimated useful lives of 5 years.

### Income tax

The income tax expense for the year comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or other comprehensive income.

#### *Current income tax*

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of earlier years.

### *Deferred income tax*

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts of corresponding items used for income tax computation purpose. Deferred income tax is measured by applying the tax rate to the temporary differences which are expected to be reversed, using tax rate enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that the related tax benefit will be realized.

### Employee benefits

#### *Short-term employment benefits*

Salaries, wages, bonuses, contribution to the social security and provident fund, are recognised as expenses when incurred on the accrual basis.

#### *Post-employment benefits (Defined contribution plan)*

The Company and its employees have jointly established a provident fund plan whereby monthly contributions are made by employees and by the Company. The fund's assets are held in a separate trusted fund from the Company's assets. The Company's contribution to the fund is recognised as expenses when incurred.

#### *Post-employment benefits (Defined benefit plan)*

The Company has obligations in respect of the severance payments they must make to employees upon retirement under the labour law. The Company accounts for this obligation in its accounts for each accounting period.

The obligations under the defined benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains or losses for the computation of post-employee benefits are presented under shareholders' equity.

### Financial instruments

Financial instruments carried in the statement of financial position include cash and cash equivalents, trade accounts receivable, trade accounts payable and loans from financial institutions. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### Segment reporting

Segmental results that are reported to the executive committee (the chief operating decision makers) include items directly attributable to each segment as well as those that can be allocated on a reasonable basis.

#### Basic earnings per share

Basic earnings per share are determined by dividing the net income for the year by the weighted average number of ordinary 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 - where the company is the lessees

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 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 reporting date are translated into Baht at the rate prevailing at that date. Exchange gains or losses are included in the statement of comprehensive income.

#### Use of accounting estimates

The preparation of the financial statements requires management undertake judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

#### Provisions for liabilities and expenses, and contingent assets

The company recognize provisions for liabilities and expense in the financial statements when they have 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 certain.

#### 4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGMENT 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 resulting from possible non collection of receivable. The allowance is based on a review of outstanding receivables at reporting date with the customer status.

###### 4.1.2 Allowance for decline value and defective inventories

The Company provides an allowance for decline value and defective inventories (if any) to reflect impairment of inventories. The allowance is based on the consideration of inventory turnovers, the period of outstanding and the comparison with market value.

###### 4.1.3 Plant, equipment and computer program

Management determines the estimated useful lives and residual values of the Company's plant, equipment and computer software and 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 Leases

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the agreement.

###### 4.1.5 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.

#### 4.1.6 Post – employee benefits

The employee benefits obligation for employee retirement in compliance the Thai labour law is measured, using the projected unit credit method in accordance with Actuarial Technique for the present value of the estimated future cash outflows based on the interest rates of government securities, which terms to maturity approximate the terms of the related obligations and consider based on salary, turnover rate, mortality rate, length of service and others.

#### 4.1.7 Deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company future taxable income against which the deductible temporary differences can be utilized. In addition, management judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

### 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 sell assets to reduce debts.

## 5. CASH AND CASH EQUIVALENTS

|                                  | Baht       |             |
|----------------------------------|------------|-------------|
|                                  | 2014       | 2013        |
| Cash on hand                     | 160,000    | 160,000     |
| Cash at banks - Current accounts | 5,758,912  | 22,276,219  |
| Cash at banks - Savings accounts | 80,316,714 | 94,924,009  |
| Total                            | 86,235,626 | 117,360,228 |

## 6. TEMPORARY INVESTMENT

|                                                     | Baht          |
|-----------------------------------------------------|---------------|
| Balance as at 1 January 2014                        | 10,842,674    |
| <u>Add</u> Additional during the year               | 115,000,000   |
| <u>Less</u> proceed during the year                 | (125,735,212) |
| Unrealized gain from changes in value of investment | 943           |
| Balance as at 31 December 2014                      | 108,405       |

The Company has temporary investment in open-end mutual fund which yields more return than general savings deposits. The said investment does not have any restriction for redemption.

## 7. TRADE ACCOUNTS RECEIVABLE – NET

The outstanding balance of trade accounts receivable as at 31 December 2014 and 2013 are classified by ages as follows:

|                                                          | Baht        |             |
|----------------------------------------------------------|-------------|-------------|
|                                                          | 2014        | 2013        |
| <u>Trade accounts receivable – general customers</u>     |             |             |
| Not yet due                                              | 77,634,281  | 67,564,034  |
| Past due :                                               |             |             |
| Less than 3 months                                       | 60,586,260  | 53,457,225  |
| 3 – 6 months                                             | 3,398,756   | 4,591,335   |
| 6 – 12 months                                            | 4,554,092   | 460,100     |
| Over 12 months                                           | 8,665,044   | 5,458,533   |
| Total                                                    | 154,838,433 | 131,531,227 |
| <u>Less</u> Allowance for doubtful accounts              | (8,665,044) | (5,458,533) |
| Net                                                      | 146,173,389 | 126,072,694 |
| <br><u>Trade accounts receivable – related companies</u> |             |             |
| Not yet due                                              | 1,833,828   | 3,085,449   |
| Past due :                                               |             |             |
| 3 – 6 months                                             | -           | -           |
| 6 – 12 months                                            | 1,151,729   | -           |
| Total                                                    | 2,985,557   | 3,085,449   |

## 8. RELATED PARTY TRANSACTIONS

The Company has certain business 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 significant business transactions with related companies for the years ended 31 December 2014 and 2013 are as follow :

|                                              | Pricing Policy | Baht                            |            |
|----------------------------------------------|----------------|---------------------------------|------------|
|                                              |                | For the years ended 31 December |            |
|                                              |                | 2014                            | 2013       |
| Revenue from sales                           | Market prices  | 11,128,019                      | 11,934,231 |
| Purchase of raw materials                    | Market prices  | -                               | 506,387    |
| Selling and administrative expenses          | Agreed prices  | 42,500                          | 4,500      |
| <u>Key management personnel compensation</u> |                |                                 |            |
| Current employment benefits                  |                | 13,515,811                      | 15,122,761 |
| Post – employment benefits                   |                | 128,340                         | 148,043    |
| Total                                        |                | 13,644,151                      | 15,270,804 |

Significant balances with related parties as at 31 December 2014 and 2013, are as follows:

|                                                                          |                                    | Baht      |           |
|--------------------------------------------------------------------------|------------------------------------|-----------|-----------|
|                                                                          | Relationship                       | 2014      | 2013      |
| <u>Trade accounts receivable – related companies</u>                     |                                    |           |           |
| QTC – PANCO Co., Ltd. (incorporated in Lao People’s Democratic Republic) | Co – director and Co – shareholder | 1,151,729 | 2,456,717 |
| Q.T.C. Services Chiang Mai Co., Ltd.                                     | Family member of the director      | 1,833,828 | 628,732   |
| Total                                                                    |                                    | 2,985,557 | 3,085,449 |
| <u>Employee benefits obligation</u>                                      |                                    |           |           |
| Post – employment benefits – key management                              |                                    | 729,498   | 1,497,873 |

9. INVENTORIES – NET

|                                                                     | Baht        |             |
|---------------------------------------------------------------------|-------------|-------------|
|                                                                     | 2014        | 2013        |
| Raw materials                                                       | 59,663,683  | 62,716,254  |
| Work in process                                                     | 11,269,825  | 21,175,430  |
| Finished goods                                                      | 60,752,644  | 65,752,767  |
| Goods in transit                                                    | 8,041,685   | 5,230,657   |
| Total                                                               | 139,727,837 | 154,875,108 |
| <u>Less</u> Allowance for obsolete and decline value of inventories | (3,441,675) | (3,524,753) |
| Inventories – net                                                   | 136,286,162 | 151,350,355 |

The Company has movements in allowance for decline value of inventories for the year ended 31 December 2014 as follows :

|                                                                     | Baht      |
|---------------------------------------------------------------------|-----------|
| Balance as at 1 January 2014                                        | 3,524,753 |
| Reversal of allowance for absolute and decline value of inventories | (83,078)  |
| Balance as at 31 December 2014                                      | 3,441,675 |

10. RESTRICTED DEPOSITS WITH BANK

As at 31 December 2014, the Company's savings deposit of Baht 0.77 million is restricted for usage from the pledge as collaterals for letters of guarantee issued by a local bank for performance bond (31 December 2013 : Baht 0.58 million).

11. OTHER INVESTMENT

| Company's name          | Nature of business                                    | (Unit : Baht)              |      |                      |        |
|-------------------------|-------------------------------------------------------|----------------------------|------|----------------------|--------|
|                         |                                                       | Percentage of shareholding |      | Investment (at cost) |        |
|                         |                                                       | 2014                       | 2013 | 2014                 | 2013   |
| MDICP HOLDING CO., LTD. | Providing commercial and industrial training services | 0.83                       | 0.83 | 50,000               | 50,000 |

## 12. PROPERTY, PLANT AND EQUIPMENT – NET

|                                                | Baht        |            |              |                      |             |
|------------------------------------------------|-------------|------------|--------------|----------------------|-------------|
|                                                | 2013        | Increase   | Decrease     | Transfer In<br>(Out) | 2014        |
| <b>Cost</b>                                    |             |            |              |                      |             |
| Land                                           | 31,089,980  | -          | -            | -                    | 31,089,980  |
| Land improvement                               | 2,803,391   | -          | (677,317)    | -                    | 2,126,074   |
| Buildings                                      | 154,556,416 | 3,841,650  | (826,408)    | 1,091,754            | 158,663,412 |
| Machine and factory equipment                  | 193,895,018 | 6,566,907  | (24,981,583) | 56,492,050           | 231,972,392 |
| Furniture, fixtures and offices equipment      | 34,780,624  | 5,485,422  | (940,408)    | 682,080              | 40,007,718  |
| Vehicles                                       | 27,925,022  | 3,154,000  | (474,490)    | -                    | 30,604,532  |
| Building in progress                           | 454,415     | 637,339    | -            | (1,091,754)          | -           |
| Machine and equipment under installation       | 29,096,668  | 29,198,440 | -            | (57,174,130)         | 1,120,978   |
| Total                                          | 474,601,534 | 48,883,758 | (27,900,206) | -                    | 495,585,086 |
| <b>Accumulated depreciation</b>                |             |            |              |                      |             |
| Buildings                                      | 30,036,651  | 9,053,534  | (421,655)    | -                    | 38,668,530  |
| Machinery and factory equipment                | 95,675,755  | 18,225,250 | (23,529,762) | -                    | 90,371,243  |
| Furniture, fixtures and offices equipment      | 19,464,690  | 5,470,143  | (769,872)    | -                    | 24,164,961  |
| Vehicles                                       | 15,254,185  | 4,176,650  | (474,490)    | -                    | 18,956,345  |
| Total                                          | 160,431,281 | 36,925,577 | (25,195,779) | -                    | 172,161,079 |
| <b>Net book value</b>                          | 314,170,253 |            |              |                      | 323,424,007 |
| <b>Allocation of depreciation for the year</b> |             |            |              |                      |             |
| Cost of sales and services                     | 20,111,281  |            |              |                      | 23,420,699  |
| Selling and administrative expenses            | 14,075,397  |            |              |                      | 13,504,878  |
| Total                                          | 34,186,678  |            |              |                      | 36,925,577  |

Land and buildings and a partial of machinery are mortgaged as collaterals for credit facilities with a bank as mentioned in Notes 14 and 15.

As at 31 December 2014 and 2013, the costs of fully depreciated assets which are remained in use amounted to Baht 75.63 million and Baht 85.30 million, respectively.

13. COMPUTER SOFTWARE – NET

|                                      | Baht             |             |          |                  |
|--------------------------------------|------------------|-------------|----------|------------------|
|                                      | 2013             | Increase    | Decrease | 2014             |
| Computer software                    | 10,077,186       | 1,645,950   | (36,216) | 11,686,920       |
| <u>Less</u> Accumulated amortization | (8,436,869)      | (1,174,502) | 36,211   | (9,575,161)      |
| Computer software – net              | <u>1,640,317</u> |             |          | <u>2,111,760</u> |
| Amortization for the year            | 1,763,362        |             |          | 1,174,502        |

14. SHORT – TERM LOANS FROM BANKS

|                                            | Interest rate per annum<br>(Percentage) |             | Baht              |                   |
|--------------------------------------------|-----------------------------------------|-------------|-------------------|-------------------|
|                                            | 2014                                    | 2013        | 2014              | 2013              |
| Liabilities under trust receipt agreements | 1.00 – 7.40                             | 4.50 – 5.88 | 31,675,216        | 59,048,052        |
| Promissory notes                           | MOR – 1.5                               | MOR – 1.5   | 35,000,000        | 15,000,000        |
| Total                                      |                                         |             | <u>66,675,216</u> | <u>74,048,052</u> |

As at 31 December 2014 and 2013, the Company has outstanding credit facilities in form of bank overdrafts, 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 2,155 million and Baht 2,122 million, respectively, These credit facilities are collateralized by the mortgages of the Company's land and construction thereon, and machineries as mentioned in Note 12.

15. LONG – TERM LOANS

|                             | Baht              |                   |
|-----------------------------|-------------------|-------------------|
|                             | 2014              | 2013              |
| Long - term loans           | 44,194,859        | 54,016,859        |
| <u>Less</u> Current portion | (24,679,459)      | (22,932,000)      |
| Net                         | <u>19,515,400</u> | <u>31,084,859</u> |

Movements in the long – term loans during the year ended 31 December 2014 are summarized below:

|                                  | Baht         |
|----------------------------------|--------------|
| Balance as at 1 January 2014     | 54,016,859   |
| <u>Add</u> Additional borrowings | 15,400,000   |
| <u>Less</u> Repayments           | (25,222,000) |
| Balance as at 31 December 2014   | 44,194,859   |

These loans are repayable approximately Baht 1.91 million per month. These loans are collateralized by the mortgages of Company's land and construction thereon, and part of machinery as mentioned in Note 12.

16. LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS - NET

|                                                 | Baht        |             |
|-------------------------------------------------|-------------|-------------|
|                                                 | 2014        | 2013        |
| Liabilities under financial lease agreements    |             |             |
| Due within one year                             | 3,892,833   | 3,430,853   |
| Due later than one year but not over five years | 3,701,808   | 5,374,283   |
| Total                                           | 7,594,641   | 8,805,136   |
| <u>Less</u> Deferred interest                   | (412,947)   | (572,954)   |
|                                                 | 7,181,694   | 8,232,182   |
| <u>Less</u> Current portion                     | (3,626,927) | (3,075,568) |
| Net                                             | 3,554,767   | 5,156,614   |

The Company has financial leases with local leasing companies covering its vehicles for periods of 3 - 4 years.

## 17. DEFERRED INCOME TAX ASSETS / LIABILITIES AND TAX EXPENSE

17.1 The movements in deferred income tax assets / liabilities are as follows :

|                                                                 | Baht              |                              |                         |                     |
|-----------------------------------------------------------------|-------------------|------------------------------|-------------------------|---------------------|
|                                                                 | 1 January<br>2014 | Recognised as income/expense |                         | 31 December<br>2014 |
|                                                                 |                   | Statement of<br>income       | Shareholders'<br>equity |                     |
| <b>Deferred income tax assets from</b>                          |                   |                              |                         |                     |
| From allowance for doubtful accounts                            | 1,091,707         | 641,302                      | -                       | 1,733,009           |
| From allowance for obsolete and decline value of<br>inventories | 704,951           | (16,616)                     | -                       | 688,335             |
| From accumulated depreciation for plant and<br>equipment        | 243,495           | (11,746)                     | -                       | 231,749             |
| From provision for warranty expenses                            | 878,809           | (75,760)                     | -                       | 803,049             |
| From employee benefits obligation                               | 485,711           | (120,136)                    | 147,939                 | 513,514             |
| <b>Total</b>                                                    | <b>3,404,673</b>  | <b>417,044</b>               | <b>147,939</b>          | <b>3,969,656</b>    |
| <b>Deferred income tax liability from</b>                       |                   |                              |                         |                     |
| From liabilities under finance lease agreements                 | 859,563           | (332,860)                    | -                       | 526,703             |
| <b>Total</b>                                                    | <b>859,563</b>    | <b>(332,860)</b>             | <b>-</b>                | <b>526,703</b>      |
| <b>Deferred tax assets - Net</b>                                | <b>2,545,110</b>  | <b>749,904</b>               | <b>147,939</b>          | <b>3,442,953</b>    |
|                                                                 |                   |                              |                         |                     |
|                                                                 | Baht              |                              |                         |                     |
|                                                                 | 1 January<br>2013 | Recognised as income/expense |                         | 31 December<br>2013 |
|                                                                 |                   | Statement of<br>income       | Shareholders'<br>equity |                     |
| <b>Deferred income tax assets from</b>                          |                   |                              |                         |                     |
| From allowance for doubtful accounts                            | 821,523           | 270,184                      | -                       | 1,091,707           |
| From allowance for obsolete and decline value of<br>inventories | 625,664           | 79,287                       | -                       | 704,951             |
| From accumulated depreciation for plant and<br>equipment        | 255,242           | (11,747)                     | -                       | 243,495             |
| From provision for warranty expenses                            | 956,561           | (77,752)                     | -                       | 878,809             |
| From employee benefits obligation                               | 425,245           | 60,466                       | -                       | 485,711             |
| <b>Total</b>                                                    | <b>3,084,235</b>  | <b>320,438</b>               | <b>-</b>                | <b>3,404,673</b>    |
| <b>Deferred income tax liability from</b>                       |                   |                              |                         |                     |
| From liabilities under finance lease agreements                 | 1,090,032         | (230,469)                    | -                       | 859,563             |
| <b>Total</b>                                                    | <b>1,090,032</b>  | <b>(230,469)</b>             | <b>-</b>                | <b>859,563</b>      |
| <b>Deferred tax assets - Net</b>                                | <b>1,994,203</b>  | <b>550,907</b>               | <b>-</b>                | <b>2,545,110</b>    |

17.2 Income tax expenses are as follows :

|                                                            | Baht              |                   |
|------------------------------------------------------------|-------------------|-------------------|
|                                                            | 2014              | 2013              |
| <b>Income tax recognized in profit or loss</b>             |                   |                   |
| Current income tax expense                                 | 15,291,883        | 19,576,245        |
| Deferred income tax on timing differences                  | (749,904)         | (550,907)         |
| <b>Income tax expense</b>                                  | <b>14,541,979</b> | <b>19,025,338</b> |
| <b>Income tax recognized in other comprehensive income</b> |                   |                   |
| Loss from estimated actuarial reduction                    | (147,939)         | -                 |

Reconciliation of effective tax rate

|                                                            | Baht       |            |
|------------------------------------------------------------|------------|------------|
|                                                            | 2014       | 2013       |
| Accounting profit before income tax                        | 69,837,047 | 93,534,936 |
| Tax rate (percentage)                                      | 20         | 20         |
| Income tax using corporation tax rate                      | 13,967,409 | 18,706,987 |
| Income tax of income not subject to tax                    | (1,000)    | -          |
| Income tax of items allowed as expenses under Revenue Code | (71,888)   | (91,862)   |
| Income tax of expenses not deductible for tax purposes     | 647,458    | 410,213    |
| Income tax expense                                         | 14,541,979 | 19,025,338 |
| Effective tax rate (percentage)                            | 20.82      | 20.34      |

18. ACCRUED EXPENSES

|                                              | Baht              |                   |
|----------------------------------------------|-------------------|-------------------|
|                                              | 2014              | 2013              |
| Accrued director and management remuneration | 4,750,000         | 6,830,000         |
| Accrued transportation                       | 1,818,806         | 1,629,176         |
| Accrued export expenses                      | 1,830,136         | 439,892           |
| Accrued commission                           | 803,410           | 518,827           |
| Others                                       | 3,172,265         | 2,896,452         |
| <b>Total</b>                                 | <b>12,374,617</b> | <b>12,314,347</b> |

19. OTHER CURRENT LIABILITIES

|                                    | Baht      |            |
|------------------------------------|-----------|------------|
|                                    | 2014      | 2013       |
| Provision for warranty claim       | 4,015,245 | 4,394,043  |
| Deposits for building construction | -         | 2,058,117  |
| Withholding tax payable            | 928,987   | 520,752    |
| Others                             | 825,525   | 3,138,154  |
| Total                              | 5,769,757 | 10,111,066 |

20. LIABILITIES UNDER EMPLOYEE BENEFITS OBLIGATION

|                                   | Baht        |           |
|-----------------------------------|-------------|-----------|
|                                   | 2014        | 2013      |
| Beginning balance as at 1 January | 2,428,554   | 2,126,227 |
| Current service costs             | 1,252,395   | 204,613   |
| Interest on obligation            | 121,008     | 97,714    |
| Actuarial loss                    | 739,695     | -         |
| Benefits paid                     | (1,974,080) | -         |
| Balance as at 31 December         | 2,567,572   | 2,428,554 |

The employee benefits obligation of the Company is measured by the actuarial technique by independent actuary. The estimated amount is computed by the discounted cash flows 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 salaries, turnover rate, length of services, mortality rate, and other factors. The employee benefits expenses are recognized in the statement of income to allocate the expense through the hiring period. Principal actuarial assumptions are as follows:

|                                      | 2014                      | 2013                      |
|--------------------------------------|---------------------------|---------------------------|
| Discount rate                        | 4.97 percent per annum    | 4.97 percent per annum    |
| Future salary average increment rate | 7.78 percent per annum    | 7.78 percent per annum    |
| Normal retirement age                | 60 years                  | 60 years                  |
| Mortality rate                       | Thai Mortality Table 2008 | Thai Mortality Table 2008 |

## 21. 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.

## 22. DIVIDEND PAYMENT

At the Annual General Meeting of Shareholders for the year 2014 held on 22 April 2014, the Board passed a resolution to approved the appropriation for dividend payment from the net profit for the year ended 31 December 2013 to shareholders at Baht 0.21 per share for 200,000,000 common shares, totaling Baht 42 million. The dividend was paid on 15 May 2014.

At the Annual General Meeting of Shareholders for the year 2013 held on 23 April 2013, the Company declared the payment of dividend from the net profit for the year ended 31 December 2012 to shareholders at Baht 0.31 per share for 200 million common shares, totaling Baht 62 million. The dividend was paid on 15 May 2013.

## 23. PROVIDENT FUND

The Company and staff have established a contributory Provident Fund. This Provident Fund has already been registered under the Provident Fund Act, B.E. 2530. Under the Fund plan, staff has to contribute to the fund at the specific rate and will be entitled to receive the fund when staff is no longer member in accordance with regulation of the fund. The Company's contribution to the Fund for the years 2014, amounted to Baht 1.42 million (2013 : Baht 1.25 million)

## 24. EXPENSES BY NATURE

Significant expenses by nature for the for the years ended 31 December 2014 and 2013 are as follows :

|                                               | Baht        |              |
|-----------------------------------------------|-------------|--------------|
|                                               | 2014        | 2013         |
| Raw materials and supplies used               | 467,844,530 | 522,666,230  |
| Changes in finished goods and work in process | 14,905,728  | (18,260,483) |
| Purchasing of finished goods                  | 110,000     | 440,617      |
| Salaries, wages and other employee benefits   | 87,186,035  | 85,968,679   |
| Depreciation and amortization                 | 38,100,079  | 35,950,040   |
| Repair and maintenance expenses               | 14,222,579  | 10,301,619   |
| Transportation expense                        | 10,211,880  | 7,441,599    |
| Warranty expenses                             | 6,775,677   | 5,536,283    |
| Travelling expense                            | 6,649,894   | 6,106,647    |
| Electricity expense                           | 5,720,202   | 5,320,838    |
| Commission and sales promotion                | 5,682,160   | 9,148,016    |

## 25. FORWARD FOREIGN EXCHANGE CONTRACTS

The Company does not have any policy to use derivative financial instrument for speculation or commercial use. Forward foreign exchange contracts are made to manage exposure for fluctuation in foreign currency exchange rates on specific transactions.

As at 31 December 2014, the Company has open forward contract for repayment of accounts payable which settlement dates are ranged between 1 month and 6 months as follows :

|     | Foreign currencies | Contracts rates |
|-----|--------------------|-----------------|
| USD | 956,574            | 32.67 – 33.25   |

## 26. SEGMENT REPORTING

The Company business operations categorized by geophysical nature for the years ended 31 December 2014 and 2013 are presented as follows :

(Unit : Thousand Baht)

|                               | For the years ended 31 December |               |              |                |                |               |               |                |
|-------------------------------|---------------------------------|---------------|--------------|----------------|----------------|---------------|---------------|----------------|
|                               | 2014                            |               |              |                | 2013           |               |               |                |
|                               | Sales                           |               | Service      | Total          | Sales          |               | Service       | Total          |
|                               | Domestic                        | Export        |              |                | Domestic       | Export        |               |                |
| Revenue                       | 555,437                         | 188,396       | 16,676       | 760,502        | 622,160        | 161,720       | 20,075        | 803,955        |
| Costs                         | (422,528)                       | (142,614)     | (15,011)     | (580,153)      | (453,632)      | (129,055)     | (9,733)       | (592,420)      |
| <b>Gross profit</b>           | <b>132,909</b>                  | <b>45,775</b> | <b>1,665</b> | <b>180,349</b> | <b>168,528</b> | <b>32,665</b> | <b>10,342</b> | <b>211,535</b> |
| Interest income               |                                 |               |              | 136            |                |               |               | 267            |
| Interest expense              |                                 |               |              | (7,539)        |                |               |               | (6,942)        |
| Depreciation and amortization |                                 |               |              | (38,100)       |                |               |               | (35,950)       |
| Allowance for doubtful debts  |                                 |               |              | (3,206)        |                |               |               | (1,351)        |
| Income before income tax      |                                 |               |              | 69,837         |                |               |               | 93,535         |
| <b>Total assets</b>           |                                 |               |              | <b>712,785</b> |                |               |               | <b>735,844</b> |

### Major Customer

For the years ended 31 December 2014 and 2013, the Company's revenue came from Government enterprises amounted to Baht 190 million and Baht 270 million, respectively.

## 27. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2014, the Company has obligations under a domestic bank guarantees for performance bonds required in the normal course of businesses approximately Baht 108.12 million. Such letters of guarantee are covered by the mortgages of the Company's land and construction thereon, and machines as disclosed in Note 12.

## 28. OTHER

In the year 2013, the management of the Company entered into a joint venture agreement with Panco Co., Ltd., a company incorporated in Lao People's Democratic Republic, to set up QTC – Panco Co., Ltd. in Lao People's Democratic Republic, whereby the Company shall invest in such company for 85% of its share capital, for an amount approximately Baht 17 million. As at 31 December 2014, the Company has not yet paid for the investment in QTC – Panco Co., Ltd. The Company's management expects this process shall be done by March 2015.

## 29. FINANCIAL INSTRUMENTS

### Foreign Currency Risk

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

As at 31 December 2014 and 2013, the Company has assets and liabilities in foreign currencies as follows:

| (Unit : Baht)                                           |                    |                                 |                 |
|---------------------------------------------------------|--------------------|---------------------------------|-----------------|
|                                                         | 2014               |                                 |                 |
|                                                         | Foreign currencies | Exchange rate<br>(Closing rate) | Baht equivalent |
| <u>Trade accounts receivable in foreign currencies</u>  |                    |                                 |                 |
| AUD                                                     | 1,129,490          | 26.5348                         | 29,970,791      |
| USD                                                     | 90,658             | 32.8128                         | 2,974,743       |
| MYR                                                     | 680,000            | 9.2880                          | 6,315,840       |
| <u>Trade accounts payable in foreign currencies</u>     |                    |                                 |                 |
| USD                                                     | 29,975             | 33.1132                         | 992,568         |
| EUR                                                     | 3,782              | 40.3552                         | 152,623         |
| <u>Short – term loans from bank in foreign currency</u> |                    |                                 |                 |
| USD                                                     | 956,574            | 33.1132                         | 31,675,226      |

(Unit : Baht)

| 2013                                                      |                    |                                 |                 |
|-----------------------------------------------------------|--------------------|---------------------------------|-----------------|
|                                                           | Foreign currencies | Exchange rate<br>(Closing rate) | Baht equivalent |
| <u>Trade accounts receivable in foreign currencies</u>    |                    |                                 |                 |
| AUD                                                       | 588,540            | 28.9078                         | 17,013,397      |
| USD                                                       | 508,852            | 32.6778                         | 16,628,164      |
| <u>Trade accounts payable in foreign currencies</u>       |                    |                                 |                 |
| USD                                                       | 114,361            | 32.9494                         | 3,768,126       |
| EUR                                                       | 3,855              | 45.3223                         | 174,717         |
| <u>Short – term loans from bank in foreign currencies</u> |                    |                                 |                 |
| USD                                                       | 1,727,472          | 32.9494                         | 56,919,166      |
| EUR                                                       | 46,972             | 45.3223                         | 2,128,879       |

#### 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 collection of 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 operations 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)                                |              |            |             |             |                   |
|----------------------------------------------|--------------|------------|-------------|-------------|-------------------|
| 2014                                         |              |            |             |             |                   |
|                                              | Floated rate | Fixed rate | No interest | Total       | Interest rate (%) |
| <u>Financial assets/ liabilities</u>         |              |            |             |             |                   |
| Cash and cash equivalents                    | 80,316,714   | -          | 5,918,912   | 86,235,626  | 0.1250 - 2.70%    |
| Temporary investment                         | 108,405      | -          | -           | 108,405     | Approx. 2.13%     |
| Trade accounts receivable                    | -            | -          | 149,158,946 | 149,158,946 | -                 |
| Short - term loans from bank                 | 66,675,216   | -          | -           | 66,675,216  | 2.328 - 7.40%     |
| Trade accounts payable and other payable     | -            | -          | 69,212,651  | 69,212,651  | -                 |
| Long - term loans from bank                  | 44,194,859   | -          | -           | 44,194,859  | 5.50 - 6.75%      |
| Liabilities under hire - purchase agreements | -            | 7,181,694  | -           | 7,181,694   | 0.38 - 0.59 %     |

(Unit : Baht)

|                                              | 2013         |            |             |             |                   |
|----------------------------------------------|--------------|------------|-------------|-------------|-------------------|
|                                              | Floated rate | Fixed rate | No interest | Total       | Interest rate (%) |
| <u>Financial assets/ liabilities</u>         |              |            |             |             |                   |
| Cash and cash equivalents                    | 94,924,009   | -          | 22,436,219  | 117,360,228 | 0.75% - 0.875%    |
| Temporary investment                         | 10,842,674   | -          | -           | 10,842,674  | Approx. 2.68%     |
| Trade accounts receivable                    | -            | -          | 129,158,143 | 129,158,143 | -                 |
| Short - term loans from bank                 | 74,048,052   | -          | -           | 74,048,052  | 2.63% - 7.48%     |
| Trade accounts payable and other payable     | -            | -          | 80,517,538  | 80,517,538  | -                 |
| Long - term loans from bank                  | 54,016,859   | -          | -           | 54,016,859  | 5.50% - 7.00%     |
| Liabilities under hire - purchase agreements | -            | 8,232,182  | -           | 8,232,182   | 2.40% - 3.55%     |

As of 31 December 2014 and 2013, the financial instrument classified by the periods of time from the date on the statements of financial position to their maturity dates are as follows :

(Unit : Baht)

|                                              | 2014        |               |             |             |
|----------------------------------------------|-------------|---------------|-------------|-------------|
|                                              | At call     | Within 1 year | Over 1 year | Total       |
| <u>Financial assets/ liabilities</u>         |             |               |             |             |
| Cash and cash equivalents                    | 86,235,626  | -             | -           | 86,235,626  |
| Temporary investment                         | 108,405     | -             | -           | 108,405     |
| Trade accounts receivable                    | 149,158,946 | -             | -           | 149,158,946 |
| Short - term loans from bank                 | 66,675,216  | -             | -           | 66,675,216  |
| Trade accounts payable and other payable     | 69,212,651  | -             | -           | 69,212,651  |
| Long - term loans from bank                  | -           | 24,679,459    | 19,515,400  | 44,194,859  |
| Liabilities under hire - purchase agreements | -           | 3,626,927     | 3,554,767   | 7,181,694   |

(Unit : Baht)

|                                              | 2013        |               |             |             |
|----------------------------------------------|-------------|---------------|-------------|-------------|
|                                              | At call     | Within 1 year | Over 1 year | Total       |
| <u>Financial assets/ liabilities</u>         |             |               |             |             |
| Cash and cash equivalents                    | 117,360,228 | -             | -           | 117,360,228 |
| Temporary investment                         | 10,842,674  | -             | -           | 10,842,674  |
| Trade accounts receivable                    | 129,158,143 | -             | -           | 129,158,143 |
| Short - term loans from bank                 | 74,048,052  | -             | -           | 74,048,052  |
| Trade accounts payable and other payable     | 80,517,538  | -             | -           | 80,517,538  |
| Long - term loans from bank                  | -           | 22,932,000    | 31,084,859  | 54,016,859  |
| Liabilities under hire - purchase agreements | -           | 3,075,568     | 5,156,614   | 8,232,182   |

#### 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.

#### 30. EVENT AFTER THE REPORTING PERIOD

At the meeting on 19 February 2015, the Company's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.18 per share to the common shareholders, from operating result for the year ended 31 December 2014. The dividend payments must be approved at the Annual General Meeting of the Company's shareholders.

#### 31. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on 19 February 2015.



**QTC ENERGY PCL.**

คุณภาพแห่งความปรารถนา  
**QUALITY OF DETAILS >>**  
D - DYNAMICS E - ENVIRONMENT  
T - TEAMWORK A - ACHIEVEMENT  
I - INNOVATION L - LEADERSHIP S - SERVICE

**QTC Energy Public Company Limited**

2/2 Soi Krungthep kritha 8 (5).,

Krungthep Rd., Huamark Bangkok, Bangkok 10240

Tel : 0-2379-3089-92 Fax : 0-2379-3099