



Annual Report 2012

Asian Phytochemicals Public Company Limited

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Important Financial Information

	2012		2011		2010	
	Amount.	Percent	Amount.	Percent	Amount.	Percent
Balance Sheet						
Current Asset	330,411,279	78.01	334,938,696	81.65	153,820,437	70.71
Fixed Asset	93,127,537	21.99	75,278,366	18.35	63,708,396	29.29
Total Asset	423,538,816	100	410,217,062	100	217,528,833	100.00
Current Liabilities						
Total Current Liabilities	40,530,571	9.57	32,613,679	7.95	29,402,613	13.52
Total Fixed Liabilities	5,664,453	1.34	5,989,824	1.46	2,198,930	1.01
Total Liabilities	46,195,024	10.91	38,603,503	9.41	31,601,543	14.53
Shareholder	377,343,792	89.09	371,613,559	90.59	185,927,290	85.47
Total Liabilities and Shareholder	423,538,816	100	410,217,062	100	217,528,833	100.00
Current Operating Performance						
Total Revenue	294,371,900	100	295,094,795	100.00	257,964,388	100.00
Cost of Sales	46,607,991	16.30	53,256,024	18.32	48,826,136	18.93
Gross Earnings *	239,351,042	83.70	237,491,005	81.68	206,867,286	80.90
Gross Profit	72,002,271	24.46	71,337,446	24.17	64,696,848	25.08
Earnings	55,729,581	18.93	50,159,863	17.00	44,261,163	17.16
Earnings Before Interest Tax (EBITDA)	79,606,361	27.04	77,772,559	26.36	71,683,329	27.79

Financial Ratios.		2012	2011	2010
Current Ratio	(times)	8.15	10.27	5.23
Gross Profit Ratio	(%)	83.70	81.68	78.69
Profit Rate/ Performance	(%)	25.12	24.46	25.30
Net Profit Ratio	(%)	19.49	17.25	17.16
Shareholders' Equity Ratio	(%)	27.87	25.08 *	47.59
Rate of Return (Asset)	(%)	13.16	12.23	19.96
Debt Rate per Shareholders	(times)	0.12	0.10	0.17
Rate Payable Dividend	(%)	100	100	71.44
Maximum Rate Arbitrary **	(Baht)	0.28	0.25	0.22
Number of Shares Issued.	(per million)	200	200	93
Book Value per Share	(Baht)	1.89	1.86	1.99
Ratio of Market Price per Equity Shares (P/E)	(times)	29.29	22.50	N/A

Committee's Report

In 2012, Asian Phytoceuticals Public Company Limited (APCO) has continuously expanded its research, production and sales to respond to the needs of consumers who started having more attention and awareness of their health and beauty. The company has successfully conducted a research to confirm the efficacy of Operation BIM products in adding life to time, adding time to life and creating new life to cancer patients by increasing the number of Th1 and Th17 cells. The company had a press conference on August 6, 2012 to declare its success of using a proven regimen of a proprietary formula of Mangosteen juice and capsules in treating cancer patients not only in Thailand but also in the United States and Italy.

Starting new market in foreign countries is a big step of our company. Because of the successful research on the efficacy of Operation BIM, PharmaGIC Company in Italy has an interest in marketing Operation BIM products in Europe. The business contract is under the process of being drafted. Besides, APCO has established Th17 Global Company to expand its channel of trade. Th17 Global will be responsible for marketing BIM products for cancer patients all over the world.

The operation results of 2012, ending on 31st December 2012 of Asian Phytoceuticals Public Company Limited or "APCO" and its branches are at a good level, with the total income of 239.35 million Baht, the increase of 1.86 million Baht from the same period of last year or 0.78%. We have the net profit of 55.73 million Baht, the increase of 5.57 million Baht or 11.10%.

According to the operation results, the company is confident to move forward and be a part in developing the country's economy by bringing in the income through its sustainable business, transparency, ethics, responsibility as well as constantly taking part in looking after the community, local areas and society.

On behalf of the committees, we would like to thank all the shareholders, customers, business partners and employees for the continuous support. With all your support and the management team's determination, we believe that we can build a stable future of the company to deserve your trust.

Maleeratna Plumchitchom

(Ms.Maleeratna Plumchitchom)

Chairperson of the Board

Pichaet Wiriyachitra

(Prof.Dr.Pichaet Wiriyachitra)

Chairperson of the Executive Committee

Board of Directors

Ms.Maleeratna Plumchitchom

Chairperson of the Board / Chairperson of the Audit Committee / Independent Director

Education

Master of Business Administration, Michigan State University

Bachelor of Accountancy, Chulalongkorn University. (Honors)

Training

Diploma of DAP, batch 45/2004, Institute of Directors Associate of Thailand (IOD)

Diploma, National Defence College, The Joint State-Private Sector Course Class 11

Capital Market Academy Class 6

% of Shareholding in the company: none

Experiences in the past 5 years

2011 – Present Chairperson of the Board / Chairperson of Auditing Committee, Asian Phytochemicals Co., Ltd.

2007 – Present Board, SYNEX Public Co., Ltd. (Thailand)

1996 – Present Chairperson of the Board, Knowledge Plus Institute

2005 – 2011 Consultant, Thanachart Bank Co., Ltd.



Prof.Dr.Pichaet Wiriyaichitra

Board / Chairperson of the Executive Committee / Managing Director

Education

Post-Doctoral Fellow Chemistry/Natural Products, University of Connecticut, US

Post-Doctoral Fellow Chemistry/Natural Products, University of Pennsylvania, US

Doctor of Philosophy in Organic Chemistry, University of Tasmania, Australia

BSc. (Hons) in Science, University of Western Australia, Australia

Training

Diploma of DAP, batch 43/2005, Institute of Directors Associate of Thailand (IOD)

% of Shareholding in the company: 48.66%

Experiences in the past 5 years

2012 – Present Board, Th17 Global Co., Ltd.

2000 – Present Board, Arun Pittaya Co., Ltd.

1999 – Present Managing Director, Asian Life Co., Ltd.

1998 – Present Managing Director, Asian Phytochemicals Public Co., Ltd.

1995 – Present Managing Director, Green Gold Co., Ltd.



Dr.Jingjai Hanchanlash

Board / Executive Committee

Education

Doctor of Philosophy in Public Law, CAEN, France

Diploma in Project Analysis, Connecticut, US

Diploma in Management, Western Ontario, Canada

Training

Diploma of DAP, Institute of Directors Associate of Thailand (IOD)

% of Shareholding in the company: 0.60%

Experiences in the past 5 years

- 2011 – Present Vice President of Khon Kaen University Council
- 2009 – 2012 Chairperson of the Executive Committee, Office of Standards and Quality Assessment (Public organization)
- 2008 – Present Executive Vice President, Loxley Co., Ltd.
- 2007 – Present Council of King Prajadhipok's Institute
- 2007 – Present Board, Foundation Institute of Foreign Affairs Saranrom
- 2007 – Present Qualified member, National Institute of Science and Technology
- 2005 – Present Board and Executive Committee, Asian Phytoceuticals Public Co., Ltd.
- 2004 – Present President, the French Association
- 2004 – Present Honorary Consuls, Honorary Consulate of Jamaica in Thailand.
- 2003 – Present Board, Spee Oil and Gas services Co (Thailand)
- 2003 – Present Chairperson of Institute for Dispute Resolution, Khon Kaen University.
- 2003 – Present Executive Committee, Loxley Co., Ltd.
- 2002 – Present Board, National Education Council
- 2001 – Present Independent Director, Lugana Hotel and Resort Plc.
- 2000 – Present Chairperson of the Board, Loxley Pacific Co., Ltd.
- 2000 – Present Independent Director, Thai Wah Food Co., Ltd.
- 1999 – Present Chairperson of the Board, LASIK eye Rutnin – Kimbell centre
- 1999 – Present Vice-chairman, Thai Chamber of Commerce University Council
- 1999 – Present Chairperson of the Board, Thai Business Council – French Board
- 1999 – Present Secretary, The Development Cooperation Foundation
- 1999 – Present Board, Asian Life Co., Ltd.
- 1997 – Present Executive Committee, Thai Chamber of Commerce University
- 1996 – Present Board, Mekong Region Law Center



Mr.Chinnakarn Samalapa

Board / Executive Committee / Vice Managing Director

Education

MSc. Strathclyde University, UK

BSc. in Pharmaceutical Sciences, Chulalongkorn University

% of Shareholding in the company: 12.5%

Experiences in the past 5 years.

- 2000 – Present Managing director, Samapha International Co., Ltd.
- 1991 – Present Board, Samaphan Trading Co., Ltd.
- 1993 – Present Managing director, Health Supplement Co., Ltd.
- 2002 – Present Managing director, Bio Nutrition Research Co., Ltd.
- 2011 – Present Board, ASCC Co., Ltd. (Thailand)
- 2010 – Present Board, Samaphan Property Co., Ltd.
- 2007 – Present Board, Nova Medic Co., Ltd.
- 2007 – Present Board, Samaphan Development Co., Ltd.
- 2005 – Present Board/ Executive Committee, Asian Phytoceuticals Public Co., Ltd.
- 2001 – Present Board, Nova-Tech Healthcare Co., Ltd.
- 1999 – Present Board, Asian Life Co., Ltd.
- 1993 – Present Board, Samaphan Development Co., Ltd.



Khunying Chamnongsri Hanchanlash

Board

Education

Honorary Buddhist Doctorate Degree in Social Sciences,
Mahachulalongkoenrajavidyalaya University.

Honorary Doctorate Degree in Sociology and Anthropology, Ramkhamhaeng University.
BA, Faculty of Humanities, Ramkhamhaeng University.

Training

Diploma of DAP, batch 43/2005, Institute of Directors Associate of Thailand (IOD)

% of Shareholding in the company: 2.16%

Experiences in the past 5 years

- 2006 – Present Chairperson of the Board, Nao Suk Co., Ltd.
- 2005 – Present Board, Asian Phytoceuticals Public Co., Ltd.
- 1999 – Present Board, Asian Life Co., Ltd.
- 1999 – Present Board, Oriental Post Co., Ltd.
- 1997 – Present Chairperson of the Board, Rutnin Kimbell Co., Ltd.
- 1995 – Present Chairperson of the Board, Rutnin Medical Centre Co., Ltd.
- 1995 – Present Executive Director, Jane Luksawee Consulting Co., Ltd.



Assoc.Prof.Arune Wiriya

Board

Education

MEd. in Bilingual Education, University of Connecticut, US

BA in Linguistics, Thammasat University

Diploma of English Language Teaching, Perth Technical College, Australia

Training

Diploma of DAP, batch 43/2005, Institute of Directors Associate of Thailand (IOD)

% of Shareholding in the company: 7.47%

Experiences in the past 5 years

2005 – present Board, Asian Phytochemicals Public Co., Ltd.

2000 – present Managing Director, Arun Pittaya Co., Ltd.



Assoc.Prof.Dr.Varakorn Samakoses

Audit Committee / Independent Director

Education

Doctor of Philosophy in Economics, University of Kansas, US

MSc. in Economics, University of Kansas, US

BSc. in Economics, University of Western Australia, Australia

Training

Diploma of DCP, batch 14/2002, Institute of Directors Associate of Thailand (IOD)

% of Shareholding in the company: none

Experiences in the past 5 years

2011 – present Audit Committee, Asian Phytochemicals Public Co., Ltd.

2010 – present President, Dhurakij Pundit University

2010 – present Board, Phatra Capital Co., Ltd.

2005 – January 2007 and 2008 – present Board, Phatra Securities Co., Ltd.



Prof. Dr. Praipol Koomsup

Audit Committee / Independent Director

Education

Doctor of Philosophy in Economics, Yale University, US.

MSc. in Economics, Thammasat University

BSc. in Economics, University of Western Australia, Australia

Training

Diploma of DAP, batch 91/2007, Institute of Directors Associate of Thailand (IOD)

Diploma of DAP, batch 52/2006, Institute of Directors Associate of Thailand (IOD)

% of Shareholding in the company: None

Experiences in the past 5 years.

2010 – Present Audit Committee, Asian Phytochemicals Public Co., Ltd.

2009 – 2011 Prime Minister's Economic Advisory Committee
(Mr. Abhisit Vejjajiva)

2008 – 2011 Monetary Policy Committee, Bank of Thailand

1993 – Present Fund Committee, Energy Policy and Planning Office

1993 – Present Economics Consultant, Business & Economic Research
Associates Co., Ltd.

1972 – Present Lecturer of Economics, Thammasat University.

2007 – 2008 Independent Director, PTT Public Co., Ltd.

2005 – 2008 Audit Committee, TISCO Bank Public Co., Ltd.

Emeritus Prof. Krairit Boonyakiat

Independent Director

Education

Honorary Doctorate Degree in Business Administration (Marketing),
Chiangmai University

MBA, Massachusetts Institute of Technology

BSc. in Botany, Chulalongkorn University

Advanced Vocational Diploma in International Trade,
The Management School of the United Nations, the Republic of Italy

Training

Diploma of DAP, batch 0/2000, Institute of Directors Associate of Thailand (IOD)

% of Shareholding in the company: None

Experiences in the past 5 years

2011 – Present Independent Director, Asian Phytochemicals Public Co., Ltd.

2007 – Present Independent Director / Audit Committee, DIMET(Siam) Co., Ltd.

2002 – Present Independent Director, Pack Foods Co., Ltd.

1999 – Present Audit Committee, Safety Insurance Co., Ltd.

1994 – Present Independent Director, Safety Insurance Co., Ltd.

Present Audit Committee, Pan Ratchatewi Group

Present Chairperson of the Executive Committee, ADDA (Thailand) Co., Ltd.



Vision and Missions

Vision

A leader in innovation of research, development and commercial operation of complete products of dietary supplements and natural cosmetics

Missions

- Producing the best dietary supplements and cosmetics products with the latest technology of the 21st century
- Promoting Thai researchers' research on natural herbs
- Meeting customers' expectations of health and beauty products
- Promoting Thai products to international customers
- Operating with work ethics that prioritise stockholders, employees and society
- Promoting creativity to build a good image to the organisation, stockholders, involved parties and society
- Building local and international business partnership
- Building trust to customers and partners
- Enhancing employees' potential and promoting their life quality

General Information

Company Name in Thai	: บริษัท เอเชียน ไฟytoceuticals จำกัด (มหาชน) (“บริษัท”)
Company Name in English	: ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED
Business Category	: Produce and distribute health, beauty and herbal products from our own research and development.
Registered Capital	: THB 200 million, comprised 200 million common shares, each of which is worth THB 1 per share (31 st December 2012)
Issued and Paid-up Share Capital	: THB 200 million, comprised 200 million common shares, each of which is worth THB 1 per share (31 st December 2012)
Shareholding entity	: See details in business operation features, under “the structure of the company’s shareholders”
Head Office	: 84/3 Moo 4 Northern Region Industrial Estate (West side) Super Highway No.11 Rd., Banklang, Muang, Lamphun 51000 Tel. 053 581 374 Fax. 053 581 375
Bangkok Office	: 121/33-34, 8 Floors, RS Tower Building, Ratchadapisek Rd., Dindaeng, Dindaeng, Bangkok 10400 Tel. 02 646 4888 Fax. 02 641 2237
Registration Number	: 0107548000480
Home Page	: www.apco.co.th

Business Operation Features

1. History

Asian Phytoceuticals Public Company Limited (“Company” or “APCO”) was founded on 2nd June 1988, with registered capital of 1 million Baht, under the name “Natural Cosmetics Research Co.,Ltd.”. The founder was Professor Dr. Pichaet Wiriyaichitra. The aim was to manufacture herbal cosmetics products, which was later expanded to include dietary supplements and sales business. The founder and the research team conducted and developed research by themselves. Scientific evidence was used to prove the efficiency of their work.

2. Important Changes and Development

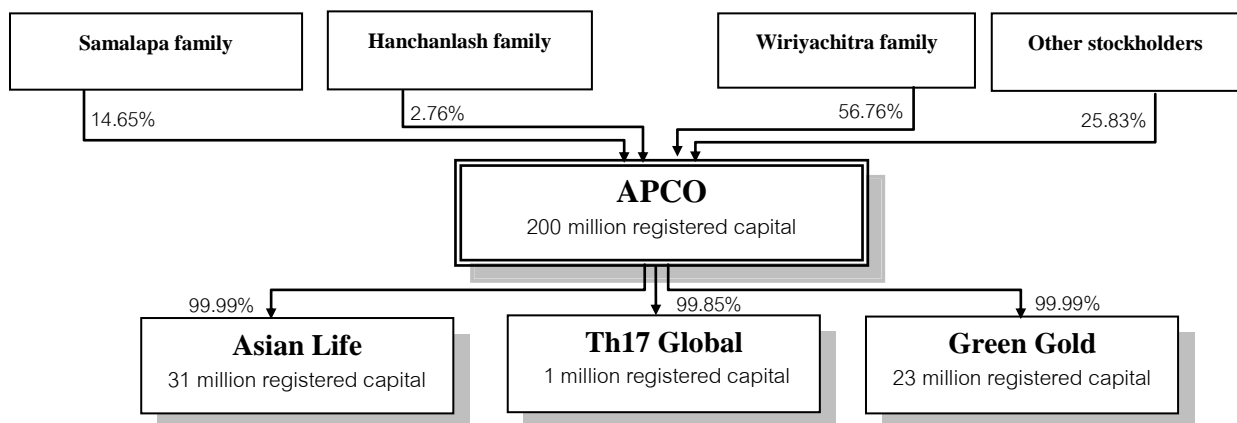
- | | |
|---------------------------|--|
| 2 nd June 1988 | <ul style="list-style-type: none"> ● Natural Cosmetics Research Co.,Ltd. was founded with paid registered capital of 1 million Baht divided into 10,000 common shares, each of which was worth 100 Baht. The founder, Prof. Dr. Pichaet Wiriyaichitra, had 92% of the capital. <p>Natural Cosmetics Research Co.,Ltd.’s initial goal was to manufacture herbal cosmetics products. The first factory was situated in Meung District, Chiang Mai.</p> |
| 1989 | <ul style="list-style-type: none"> ● A new plant was built at the Northern Industrial Estate, Lamphun. All the manufacturing was moved to the new factory. |
| 25 th May 1995 | <ul style="list-style-type: none"> ● Green Gold Co., Ltd. (“GG”) was established with paid registered capital of 5 million Baht, divided into 50,000 common shares, each of which was worth 100 Baht. The aim was to produce dietary supplements from natural herbs. |
| 18 th May 1996 | <ul style="list-style-type: none"> ● Asian Neutraceutical Centre Co.,Ltd. was founded with paid registered capital of 1 million Baht divided into 10,000 common shares, each of which was worth 100 Baht. The aim was to conduct research and develop cosmetics products and dietary supplements before APCO and GG manufactured the approved products. |
| 20 th May 1999 | <ul style="list-style-type: none"> ● Asian Life Co.,Ltd. (“ASL”) was founded, with paid registered capital of 10 million Baht divided into 100,000 common shares, each of which was worth 100 Baht. The aim was to sell the cosmetics and health products of the companies through a multi-level direct sales system such as Multi-Level Marketing or MLM. |
| 2003 | <ul style="list-style-type: none"> ● Green Gold or GG received a certificate of Good Manufacturing Practice from Food and Drug Administration, Ministry of Public Health. <p>The structure of group companies was adjusted. Natural Cosmetics Research Co., Ltd. increased the registered capital to 93 million Baht, divided into 9.3 million common shares, each was worth 10 Baht. The money gained from the increased capital was spent buying shares in the ratio of 99.99% in the three companies:</p> <ol style="list-style-type: none"> (1) Green Gold Co., Ltd. (2) Asian Life Co., Ltd. (3) Asian Neutraceutical Centre Co.,Ltd. |

Later, Natural Cosmetics Research Co., Ltd was transformed into a public company and its name was changed to Asian Phytoceuticals Public Company Limited. In addition, the share value was changed from 10 Baht per share to 1 Baht per share. The increase was made to the capital from 93 million shares to 116.25 in order to comply with a proposal to sell shares to the general public. However, the registration was initially put off.

- 2005
 - APCO received a certificate of Good Manufacturing Practice from Food and Drug Administration, Ministry of Public Health.
- 2006
 - The company restructured by transferring The Research and Development Business of Asian Nutraceutical Centre Co.,Ltd. to APCO and closing the account of Asian Nutraceutical Centre Co.,Ltd.
- 2011
 - The capital was increased to 200 million Baht. The company issued and offered 57 private placement shares to those who supported the expansion of the company, offered 45 million common shares to the general public and 5 million shares to the executives and employees of the company. Also, the common shares were registered in the MAI stock market.
- 2012
 - Th17 Global Co., Ltd. was established with registered capital of 1 million Baht, divided into 100,000 common shares, each of which was worth 10 Baht. The aim is to expand the market by coordinating and managing the sale of products for cancer patients both in Thailand and in foreign countries.
 - The company has invested in Th17(Thailand) Co.,Ltd., in the proportion of 44% of the capital of the company to Expand its marketing channel.

3. The Structure of the Company's Shareholders

The company group assumes the following structure:



4. Overall Picture of Business Operations of the Company and Subsidiaries

4.1 Asian Phytoceuticals Public Company Limited

The company produces and sells herbal cosmetics which can be divided into 3 categories: slimming products, skin care products, antiwrinkle and antispot products. Sales are distributed through subsidiaries and agents as well as abroad.

In addition, the company and Prof. Dr. Pichaet Wiriyachitra, the main shareholder and managing director, work with specialists and teams from academic institutions in Thailand and research organizations to conduct research in order to develop new products related to herbal cosmetics and dietary supplements as well as improve the existing products. The company applied for patent registration and received a safety guarantee from Food and Drug Administration. It also has research results that are scientifically approved.

4.2 Green Gold Co., Ltd.

This is a subsidiary of which the company owns 99.99% of the paid registered capital valued 23 million Baht. It produces and sells dietary supplement products, divided into 4 categories: fat reduction products, skin care products, dietary supplement products and nutritional drinks by balancing immune. The products manufactured are researched and developed by APCO.

4.3 Asian Life Co., Ltd.

This is a subsidiary of which the company owns 99.99% of the paid registered capital valued 31 million Baht. It distributes APCO and GG products in a multi-level direct sales or MLM. Moreover, it distributes the products of the same kind of other companies that have high market potentials. At present, ASL has a sales office in Bangkok and branches in 4 provinces: Chiang Mai, Surat Thani, Songkla (Hatyai) and Chonburi. These companies distribute products to both local and international customers. For local customers, sales is conducted in all channels including multi-level direct sales marketing via ASL and agents in foreign countries. The targeted customers include those who pay attention to their shapes and physical health. As for sales distribution for customers abroad, the company distributes products and sales via local agents who will export them to countries such as Vietnam. Also, the company directly distributes products to foreign agents such as Indonesia, Malaysia, Dubai. In the Year 2012, the company has increased its distribution to Turkey and Romania.

4.4 Th 17 Global Co.,Ltd.

This is a subsidiary of which the company owns 99.85 of the registered capital of 1 million Baht (50% paid). Its aim is to look for marketing partners of products for cancer patients. The company will expand worldwide market through Professional Channel in which there will be medical experts to advise on the product use.

5. Revenue Structure

The revenue structure classified by types of products in 2010, 2011 and 2012 is as follows:

Asian Phytoceuticals Public Company Limited and Its Subsidiaries								
The revenue structure classified by types of products								
Revenue Structure	Change (%)	Change (Amount)	2012		2011		2010	
			Value	Percent	Value	Percent	Value	Percent
Revenue from Domestic Sales								
1. Beauty Cosmetics Products								
- Skin Care Products	-16.06%	- 1,277,237.76	6,677,140.43	2.27%	7,954,378.19	2.70%	8,791,321	3.41%
- Anti-Wrinkle and Anti-Spots Products	8.12%	1,538,889.66	20,481,338.53	6.96%	18,942,448.87	6.42%	16,798,515	6.51%
- Hair Products	-100.00%	- 1,660,983.21	-	0.00%	1,660,983.21	0.56%	1,912,139	0.74%
- Slimming Products	-26.17%	- 16,185,043.14	45,651,994.26	15.51%	61,837,037.40	20.95%	64,527,695	25.01%
Total	-19.45%	- 17,584,374.45	72,810,473	24.73%	90,394,848	30.63%	92,029,669	35.68%
2. Dietary Supplement Products								
- Fat Reduction Products	-40.38%	- 13,566,198.37	20,032,063.20	6.81%	33,598,261.57	11.39%	34,126,797	13.23%
- Health Products	23.16%	28,008,894.24	148,970,392.60	50.61%	120,961,498.36	40.99%	71,839,609	27.85%
- Skin Care Products	-47.08%	- 6,039,701.52	6,787,712.35	2.31%	12,827,413.87	4.35%	16,313,773	6.32%
- Health Drink Products	24.13%	5,715,451.11	29,399,299.47	9.99%	23,683,848.36	8.03%	20,302,772	7.87%
Total	7.39%	14,118,445.46	205,189,468	69.70%	191,071,022	64.75%	142,582,950	55.27%
Total Revenue from Domestic Sales	-1.23%	- 3,465,928.99	277,999,940.84	94.44%	281,465,869.83	95.38%	234,612,619.18	90.95%
Revenue from International Sales								
1. Beauty Cosmetics Products		-						
- Slimming Products	-40.27%	- 2,153,839.79	3,194,468.36	1.09%	5,348,308.15	1.81%	8,261,848.75	3.20%
Total	-40.27%	- 2,153,839.79	3,194,468.36	1.09%	5,348,308.15	1.81%	8,261,848.75	0.03
2. Dietary Supplement Products								
- Fat Reduction Products	-100.00%	- 3,795,000.00		0.00%	3,795,000.00	1.29%	-	0.00%
- Health Products	100.00%	764,924.07	764,924.07	0.26%	-	0.00%	650,250.00	0.25%
- Skin Care Products	-100.00%	- 137,850.46		0.00%	137,850.46	0.05%	-	0.00%
- Health Drink Products	100.00%	3,999,700.00	3,999,700.00	1.36%		0.00%	12,168,704.00	4.72%
Total	21.15%	831,773.61	4,764,624.07	1.62%	3,932,850.46	1.33%	12,818,954.00	4.97%
Total Revenue from International Sales	-14.24%	- 1,322,066.18	7,959,092.43	2.70%	9,281,158.61	3.15%	21,080,802.75	8.17%
Total Revenue	-1.65%	- 4,787,995.17	285,959,033.27	97.14%	290,747,028.44	98.53%	255,693,421.93	99.12%
Other Incomes	93.50%	4,065,101.00	8,412,867	2.86%	4,347,766	1.47%	2,270,966	0.88%
Total Revenue (Consolidation)	-0.24%	- 722,895.17	294,371,900	100.00%	295,094,795	100.00%	257,964,388	100.00%

6. Goals of Business Operations

The company is determined to do research and develop products from natural herbs that are more efficient and useful to health and skin. Also, it focuses on producing innovative products to respond to customers' needs and utmost satisfaction and to comply with the styles of living of modern people. Moreover, the company wants to add more channels to reach customers with the following goals of business operations:


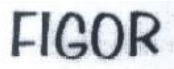




1. The company group emphasises the growth of sales and profit making through the increase of sales channels for example, sales via big modern trade stores network and sales in foreign countries. This aims to cover a wider range of customers, reach them conveniently and create higher profits.
2. Research and develop products with extracts from mangoesteen or 'BIM" Operation that can generate balanced immune in our body in order to increase the existing dietary supplement products for customers with symptoms caused by imbalanced immune such as allergies, autoimmune disease, diabetes, psoriasis, bone/joint degeneration, hepatitis, renal failure, infection and cancer.



3. Research and develop beauty cosmetics products with extracts from medicinal plants to expand its chain of skincare products that can inhibit / destroy bacterial diseases, reduce inflammatory symptoms and infections.

Accordingly, the company group aims to deploy the White Ocean Strategy, that is, in running a good business, consumers and relevant parties' interests must come first. A balance must be sought among relevant parties and society (people), environment and natural resources (planet), operation results (profit) and determination and faith to drive society to change for the better (passion). This is to stimulate and create a positive social and environmental progress, to help, share and be part of the society, along with the stable growth of the company and its employees.




List of Products








Beauty Cosmetics Products




Product	Characteristics and Properties	Herbs Essential	Brand / Trademark		Year
Slimming Products	Cream or body lotion products are absorbed into the skin by a massage to tighten the skin and reduce the proportion of the body such as waist, hip, brachium and thigh. Furthermore, facial lotion products are available to create flexibility to the skin, chin, throat and cheek.	Extracts from Garcinia, Asiatic Pennywort, chili, ginger, Chinese tea, Mint.	Gold Shape		2003
			Figor		2007
			TrimOne		2008
Anti-wrinkle and Anti-Spots Products	The lotion, cream and serum products are used for maintaining the skin, focusing on properties of the skin treatment and hyperpigmentation to naturally maintain the balance of moisture and oil of the skin and to stimulate the production of collagen in the skin.	GM-1 extracted from Asiatic Pennywort, licorice	7 Miracles		2005
			7 Wonders		2008
			Asian Life		2012

Product	Characteristics and Properties	Herbs Essential	Brand / Trademark		Year
Skin Care Products	Gel, cream or body lotion products are used for showering, skin caring, sun blocking, and cleansing. They can prevent the imbalance which is the cause of inflammatory symptoms and infections, the major cause of acne and bacterial diseases. They can decrease inflammation, be anti-inflammatory, anti-oxidant, and help to tighten pores (anti-stringent)	GM-1	Garcinia		1988
	Gel, cream or body lotion products are used for skin caring, sun blocking, and cleansing. Featuring antioxidant properties of melanin, the products yield results of skin whitening.	Extracts from plants and fruits	Lyfe		2000

Dietary Supplement Products

Product	Characteristics and Properties	Herbs Essential	Brand / Trademark		Year
Fat Reduction Products	Dietary supplement products attribute to accelerate the transformation of fat into energy. They also delay the creation of new fat from food and slow down the fat accumulation process. They make consumers feel full more rapidly and longer, fresh and energetic. The products are in the form of capsule and water-soluble powder.	Extracts from Garcinia	Gold Shape		1995
		Extracts from Garcinia	TrimOne		2008
Skin Care Products	The supplements contain antioxidants that are used to balance the hormone level, the cause of freckles and black spots, in the body, and to help moisturize the skin.	French pine bark extracts, glutathione, and extracted protein from soy	Bryte & Spryte		2004

Product	Characteristics and Properties	Herbs Essential	Brand / Trademark		Year
Dietary Supplement Health Products "BIM Formula" ^{/1}	Dietary supplements for health products can be divided into two groups: GM-1 and BIM-based products and other following health products:	Extracts of GM-1 and BIM. Centella and Asiatica, extracts, extracted Protein from soy, and sesame etc.	Garcinia		2007
	- Supplements for balancing immune for those who want to maintain a good health.		Diabenox		2009
	- Supplements for those with diabetic problems		Arthrinox		2009
	- Supplements for people with knee problems		Noriasis		2009
	- Supplements for people with psoriasis		Tumorid		2011
	- Supplements for people who have cancer		Th 17		2012
	- Concentrated mangoesteen juice with no sugar or preservative is able to fight against oxidants that are the causes of cancerous cell growth (studied in a research lab). It adjusts the balance of immune system and the symptoms associated with the autoimmune disease itself such as allergy and inflammation. Also it reduces blood pressure.	Concentrated mangoesteen juice ^{/2}	Myhelth		2008

Product	Characteristics and Properties	Herbs Essential	Brand / Trademark		Year
		Concentrated mangoesteen juice ^{/2}	BIM		2010
	- Concentrated mangoesteen juice together with Garcinia extracts have two benefits: those of mangoesteen and slimming properties of Garcinia.	Concentrated mangoesteen juice, and garcinia exact ^{/2}	BIM & Trim		2010
- Other Health Care Products	They are supplements for enhancing health and intelligence which can also decrease a migraine attack. They increase the circulation of blood in the brain, enhance the short term memory, and decrease the lack of concentration.	Ginkgo leaf extracts	Ginkgo Biloba		1998

Note ¹ Products in the Operation "BIM" Group

² Mangoesteen juice is produced with ingredients and process supervised by the company.

1. The Risk of Business

1.1 The risk of relying on staff

The highlight of competition in the company is the reliability of the products guaranteed by research including the ability to do research and develop innovative products which meet the needs of consumers continually. Since almost all of the products that the conglomerate produces and sales recently are from the research and development led by Professor Dr. Pichaet Wiriyaichitra, this makes the risk of relying on the knowledge and expertise of the staff. In addition, Professor Dr. Pichaet Wiriyaichitra also served as Managing director who is directly responsible for demining policies, directions and marketing of the company. In the future, if the staff is changed it may affect to operations of the company.

However, Professor Dr. Pichaet Wiriyaichitra is the founder and major shareholder of the company, thus it is expected that the company may be able to persuade him to work in a long run. Besides, the company has formed a research and development team which involves experts in various fields related to our products, and established Thai Mangoesteen Research and Development Center. Also, the company has cooperated with several of research agencies to jointly conduct research and further develop the products continuously without relying on only one person or agency. In addition, we have allocated budget to the research team to participate as an owner and motivated them to stay with the company in a long period.

As for the guidelines for future research and development in the future, in case there is product research and development related to new raw materials of which the research team has no knowledge, the company will hire other organization with such expertise such as university and other research departments to conduct the research. It was anticipated that it would take less time and fewer costs that the company conducting the research and development.

As for the management, the company has appointed the director as the one who sets up business policies and directions, and the executive director as the administrator who is responsible for the policies from the committee board and shareholders. Furthermore, the company has prepared the adviser board to consult such over fields as marketing, research and development, CSR (Corporate Social Responsibility), etc. Such board consists of ones who have expertise in such fields to give advice about management so that the business can go forward effectively.

1.2 The risk of relying on the recent channel business which is mostly done through direct distribution

The company's income is from every distribution channel such as domestic or overseas distributing agent company and subsidiary direct distributing company. In the year 2010 year 2011 year 2012, the company profited from direct distribution for 74.61 percent and overall income for 82.90 and 87.46 percent. Such business is very competitive with several of entrepreneurs. However, there are many direct distributors or agents who can work for any entrepreneurs in industry depending on the structure and return on sales (ROS). So, the better offers can persuade the distributors and agents to change their mind easier.

As mentioned, we have focused on the good structure of ROS for the agents. The policy of compensation should be in the same level as in industry, attractive and various in term of rewarding such as special price for the member who reaches the expected circulation, etc. Moreover, the company believes that the credit of product can convince customers and keep them satisfied to buy our products continuously in a long period as well, and our products have been quality-guaranteed by research and operated for 20 years. We carry on the research and development in order to further develop the existing products and create the new ones based on international scientific process of the 21st century.

Therefore, the continuous increase of the circulation from distribution in this channel and the effects of research and development are the variables that decrease the risk of relying on direct sales business. Additionally, they become stability to gain income and be a part of the company's growth endlessly.

In order to support our growth stably, we have a primary policy to increase distributing proportions in other channels urgently. It is to distribute the products through the network of Modern Trade. We will promote overseas distributions in order to urge up the circulation, and establish an abroad distributing agency. Primarily, we expect to have branches in Singapore, Dubai and Hong Kong to facilitate product distribution our customers there.

1.3 The risk of supplying raw materials

The main raw materials of the company are Garcinia and mangosteen. They are agricultural materials which bear fruits once a year and yield depending on climatic conditions of the year. So, if climate is unusual like floods or drought, we may face a shortage of raw materials. Garcinia is a plant cultivated in the south which is very tough to obtain according to the unrest recently.

The company realizes the natural condition that cannot be controlled. It affects the supply of raw materials. Therefore, we decide to purchase them in a large quantity, and each purchase will cover the sale at least two years. Nevertheless, the materials in the warehouse are adequate for distribution for more than a year, because they are dry-processed and maintained in suitable condition. Now, they can be stored for longer than 10 years whereas their essential compounds do not decay. The company has local agents who supply Garcinia.

1.4 The risk of product replacement

Beauty products, cosmetics and dietary supplements are the replaceable products with similar features, for example, slimming products which are available numerously to distribute. Most of them have similar properties; help consumers lose weight and keep in good shape. Therefore, there are choices for the consumers.

The company realizes the similar properties of the products in beauty, cosmetics and dietary supplements industry. So, we aim to clarify the differences of the products to the consumers, beginning from publication of research to show that our products are more effective than others, as well as the shared experience and satisfaction of the users. Moreover, the company focuses on training our sale agents to have better understanding about the properties of products so that they are able to help consumers comprehend the differences between our products and other products.

1.5 The risk of the exchange rate

The company distributes a very few of our products in foreign countries. They were fewer when comparing to the total circulations. In 2010, 2011 and 2012, the company's distributing proportions were 3.23 percent, 1.84 percent and 2.78 percent compared to the total circulations respectively. We mainly set up the aboard marketing policies with Bath currency, except for some customers who preferred trading with U.S. dollars currency. By the year 2010 – 2012, the proportion of sales in the currency of U.S. dollars was approximately 3 percent of the total circulation. This can be considered that the company has a low risk of exchange rate. However, we also set up a policy of expanding the distribution proportion abroad, particularly in Southeast Asia, Middle East and China. This may increase the higher risk of exchange rate. But we still have a policy of Forward Contract which is for the high-value products trade, and this will be considered case by case.

2. The Risk of a Shareholder with more than 50 percent of the Company's Shares.

As of 18st January 2013, The Wiriyaichitra family has 113,308,370 company shares, representing 56.65 percent of the shares sold by the company. The Wiriyaichitra family became the major shareholder that controls the majority in the shareholders meeting. Unless the law or the Articles of Association requires a resolution of no less than three in four of the general meeting of shareholders, such as increasing cost of capital to sell or transfer all or part of such a shareholder, the company may not be able to gather the votes to determine the balance of the shareholders present.

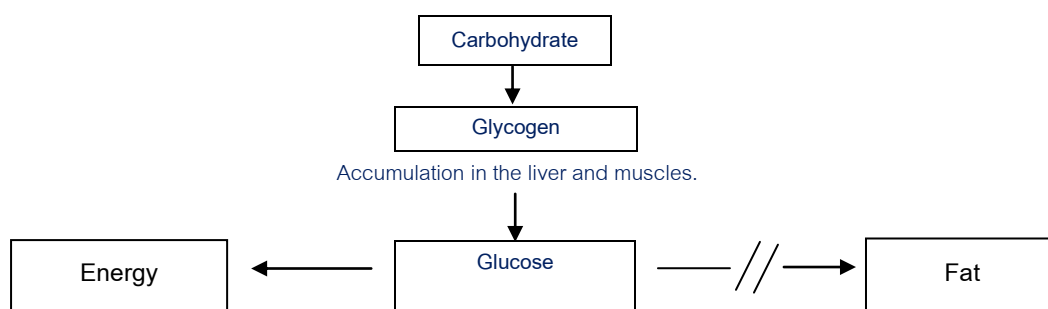
The company is aware of such risks. The Committee provides an independent third party, including 4 persons who serve as chairman as well as the audit committee of 3 members from the total number of nine persons to serve as checks and balances of the board of directors. The executive and the board of directors have a policy by taking into account the shareholders' best interests, the scope of authority of the board of directors and the committee clearly. If the company is required to make transactions with persons who may have conflicts of interest, we will take steps to approve the transaction and the rules of the Stock Exchange of Thailand regulations. The person who may have a conflict will be excluded from voting on the transaction.

Research and Development

APCO gives special attention to research and development to discover new features of plants and herbs which can be found in Thailand. To further develop and innovate the products in order to meet consumer demand, we focus on research with collaboration from researchers in various fields, government agencies, universities and other research departments. They have expertise particularly to the herbal plants: the essential compounds of the conglomerate's products.

Garcinia Extract Research

Garcinia extract is a key compound of our slimming products. Garcinia contains HCA (Hydroxy-citric acid), which has property to stop the operation of enzyme related to decomposing cycle of glucose in our body, and stop Glucose from carbohydrate foods from changing into fat.



HCA inhibits the enzyme ATP-Citrate.

When people eat rice, flour, and sugar which contain carbohydrates, our body changes to them into glycogen gathering in the liver and muscles. When the liver and muscles are full of glycogen, we will feel full automatically. The glycogen is changed into glucose to produce energy but the excess will turn to be fat. HCA operation inhibits the enzyme ATP-Citrate Lyase that disables glucose to change into fat so that it is transformed as energy for our body only. Furthermore, the use of glucose will decrease and glycogen will convert into glucose slower. So, it sticks in the liver and muscles longer and make us feel full longer but hungry slower.

In 2000, the company joined with the researchers from the Department of Internal medicine, Ramathibodi Hospital and Research Centre, Faculty of Medicine, Mahidol University to prove the effects 70% concentration of HCA in reduction of fat in female, weigh about 65 to 70 kg. From the experiment, the weight lost and the fat around the shoulder blades, upper arms and waist decreased. Moreover, there was no side effect on the experimental group. The researchers also presented their experiment to the Council on Clinical Nutrition in Phitsanulok, in December 2000, and published it in international journals as well (Asia Pac J.Clin Nutr 2007; 16 (1): 25-29).

The company takes advantage of HCA's properties to stop the enzyme as a dietary supplement for slimming. In addition, we have innovated them as cream or lotion for slimming massage, and experimented them together with Dearthscan, an institution to check quality of products from France. Our products were tested by volunteers continuously around 4 weeks. They groped the lotion around their waist, and the result was that their averaged waistline reduced significantly, and after the blood test there was also no side effect on the volunteers.

GM-1 from mangoesteen research

Nowadays, APCO focuses on research on mangoesteen under the project called Operation “BIM” or “Balancing Immunity”. This is a research project that deals with GM-1 from mangoesteen and its effect on the modulation of the immune system. The research on mangoesteen began in 1971 after Prof. Dr. Pichaet Wiriyachitra together with the research team from Prince of Songkla University noticed that local villagers mixed mangoesteen shell with calcium hydroxide to heal cuts. Therefore, they conducted long research until GM-1 was extracted and they learnt that it could kill bacteria as well as increase the body’s ability to cope with pain, inflammation, allergy, aging, oxidant and cancer. It was also safe to use. However, developing GM-1 into medical substances cost a lot and took at least 10 years. Hence, GM-1 was developed along with other natural extracts to be used as parts of cosmetics and dietary supplements.



In 2007, the prices of mangoesteen fell down all over the country. So, the researchers established a research team Operation “BIM” in order to develop products from mangoesteen, help farmers earn income and solve problems of the excessive number of mangoesteen in the market. Prof. Dr. Pichaet Wiriyachitra as leader of the research project set up Mangoesteen Research and Development Center (Thailand) and collaborated with other research organisations such as Chiang Mai University, Biomedical Technology Research Center and etc. Researchers from different fields who play important roles were:

- (1) Assoc.Prof.Dr. Ampai Panthong
Department of Pharmacology, Faculty of Medicine, Chiang Mai University
- (2) Assoc.Prof.Dr.Siriwan Ong-chai
Department of Chemistry, Faculty of Medicine, Chiang Mai University
- (3) Assoc.Prof.Dr.Souwalak Phongpaichit
Department of Microbiology, Faculty of Science, Prince of Songkla University
- (4) Assoc.Prof.Dr.Wilawan Mahabusarakam
Department of Chemistry, Faculty of Science, Prince of Songkla University

Operation “BIM” successfully developed the BIM extracts, components of GM-1, along with various kinds of cereal that work well with one another. It was discovered that BIM had immunomodulation or auto-immunotherapy with evidence from research conducted by Prof.Dr.Watchara Kasinrerk, an expert in Immunology, a winner of the National Science Award (Immunology, 2008) and director of Center of Biomedical Technology. The key findings of the research are as follows:

Auto-immunotherapy from the balance of Th1, Th2 and Th17

T helper cell (Th cell) is a sub-population of T lymphocytes that play an important role in establishing and maximizing the capabilities of the immune system by activating the growth of lymphocytes (Phagocyte, cytotoxic T cell, NK cell) to kill virus infected and cancer cells efficiently.

- Th cell will turn into Th1 when aroused by yeasts, bacteria, virus and cancer cells. It will secrete chemical substances that allow lymphocytes to kill those unwanted pathogens better.

- Th cell will turn into Th2 when aroused by allergy. It will secrete chemical substances that activate mast cells to generate certain kinds of lymphocytes to build antibody that can kill unwanted pathogens. However, if Th2 is excessive, it will cause allergy and autoimmune disease.
- Th cell will turn into Th17 and secrete chemical substances that activate certain kinds of lymphocytes that can clear pathogens not adequately handled by Th1 or Th2 cells.

The mechanisms of balancing immune in our body depend on the balance of Th1 and Th2 cells. Both can inhibit each other's functions. Allergies and auto-immune diseases caused by excessive Th2 cells can be corrected with the increase of Th1 cells.

The findings of the research state that BIM can dramatically increase Th1 and Th17 cells that allow the body to handle yeasts, bacteria, viruses and cancer cells better. It can also decrease Th2 cells which reduce allergy and auto-immune disease caused by excessive Th2 cells. In addition, having more Th17 cells makes the better clearance of pathogens not adequately handled by Th1 and Th2 cells.

In 2010, MD Cancer Center, University of Texas found that not only could Th17 cells prevent and inhibit lung cancer in rats, but they could also efficiently reduce cancer cells in rats. The findings can be used to explain the fact that after consuming BIM products, those with cancer recovered because most of them had more Th17 cells.

According to the above discovery, there have been a lot of innovations from using BIM as ingredients in many dietary products. The formula has been adjusted to suit those with auto-immune diseases such as Diabenox for those with diabetes, Anthrinox for those with knee problems, Noriasis for those with psoriasis and Tumorid for those with cancer. The company has already applied for patents for the formula of the products.

In addition, the company organized projects to disseminate research work on Operation BIM in an easy-to-understand manner to reach customers at large. Hence, the BIM100 project was established in which those with different symptoms regarding imbalanced immune were invited to talk about their conditions before and after having used BIM dietary supplements. Examples included those with last stage cancer, AIDS, acne inflammation, diabetes, Parkinson's disease, infected intestines, liver failure, peptic ulcer, psoriasis, rheumatoid arthritis, deteriorated kneecap and etc. The company conducted an interview with them and broadcast it on cable TV and the company's website in order for consumers to develop an experiential understanding about the products.

The company had expenses in support of different research works during 2010-2012 as follows,

Research Project	Support Value (THB million)		
	2012	2011	2010
Project 1 Study of Operation "BIM" Products on the Modulation of the Immune System, co-researched with the Research Center of Biomedical Technology, Faculty of Medical Technology, Chiang Mai University, supervised by Prof.Dr.Watchara Kasinrerk, an expert in Immunology, a winner of the National Science Award (Immunology, 2008) and director of Research Center of Biomedical Technology. (This is a three-year project which began on 15 th November 2010) The financial support of 1,782,000 Baht will be given in 3 installments in accordance with the project duration (one installment per year).	114,800	574,000	574,000

Research Project	Support Value (THB million)		
	2012	2011	2010
Project 2 Efficacy of BIM Dietary Supplement in Chemo-Refractory Cancer Patients, in cooperation with Oncology unit, Chiang Mai University under the supervision of Prof.Sumittra Tongprasert, Head of Oncology unit. (Running from 15 th November 2010 to 14 th July 2011). The financial support of 1,725,000 Baht was given in 2 installments.		862,000	862,000
Project 3 Study of Operation BIM Products on the Modulation of the Immune System in HIV/AIDS patients: The MOU was signed between APCO and Chiang Mai University for appointing Professor Dr.Watchara Kasinrerker to be an Honourable Professor of Asian Phytoceuticals to do the research on the effect of Operation BIM Products on stimulation or control of the Immune System in HIV/AIDS patients for 1 year. (1 st November 2012-30 th October 2013) with the 2.2 million bath budget.	361,847		

The gained/expected results from the projects can be concluded as follows:

[Project 1](#)

- BIM mangosteen juice is highly beneficial for patients with cancer, fungal infection, bacterial infection, viral infection, allergy and almost every type of autoimmune disease.
- The findings confirmed that Garcinia products yield utmost benefits to those infected with yeasts, bacteria, viruses, cancer, allergic rhinitis, allergy and other auto-immune diseases such as osteoarthritis, osteoporosis, orofacial fistula disease, cirrhosis, thyroid, leukemia, psoriasis, stroke, asthma, uterus inflammation, premature birth, sleep disorder, acid reflux, peptic ulcer, nausea, gout and etc.
- Arthrinox is highly beneficial to those with allergies and systemic lupus erythematosus (SLE), osteoarthritis/osteoporosis, HBV, and Parkinson's disease
- Diabenox is highly beneficial to those with diabetes type 1 (Insulin-dependent diabetes mellitus / IDDM) and type 2 (Non-insulin-dependent diabetes mellitus / NIDDM).

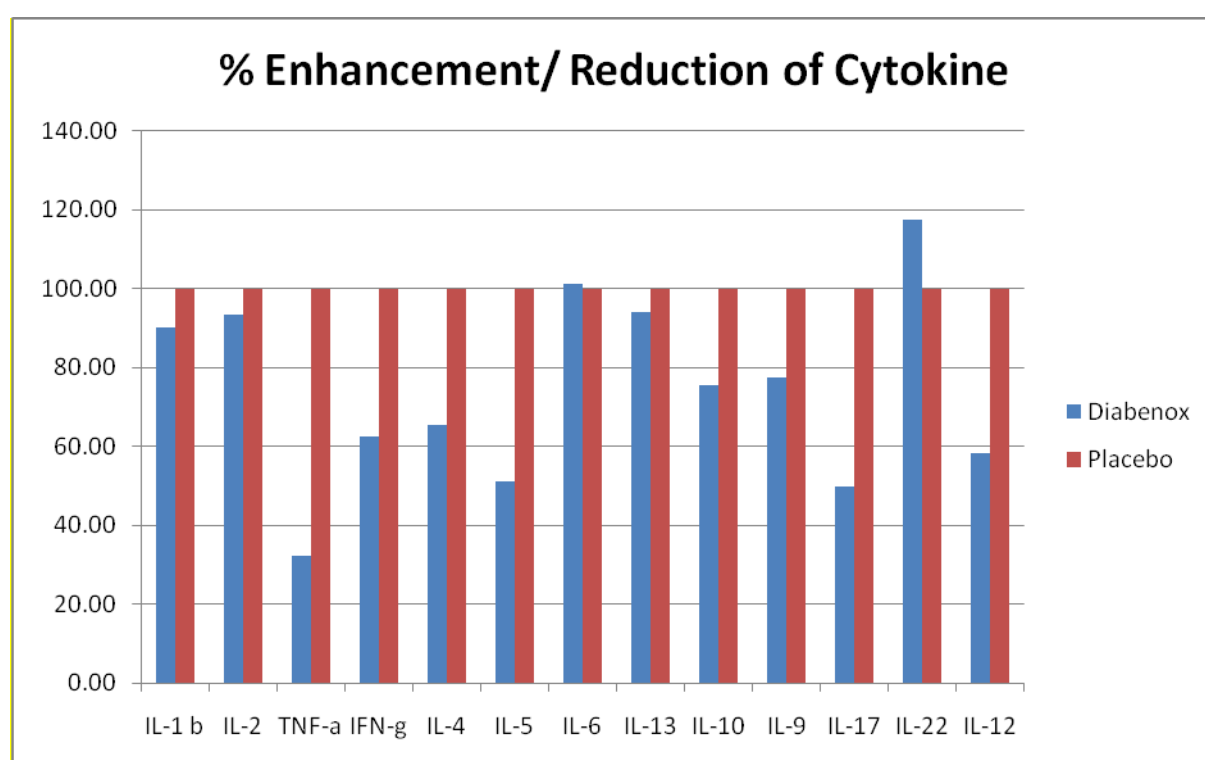
There are two main types of diabetes mellitus (DM).

- [Type 1 DM](#) results from the body's failure to produce insulin because the insulin producing cells in pancreas were destroyed by the immune cells.
- [Type 2 DM](#) results from [insulin resistance](#), a condition in which insulin production was normal but cells fail to use insulin properly and the insulin producing cell were gradually destroyed.

There was a study showing that Type 1 DM patient has high level of IFN- γ and islet associated lymphocyte. A combination of γ -interferon (IFN- γ) and interleukin-1 (IL-1) stimulate inducible nitric oxide synthase (iNOS) expression in islets, causes islet cell destruction. Another study showed that anti-IFN- γ antibody can prevent autoimmune diabetes induced with multiple low dose of streptozotocin in mouse.

TNF- α plays an important role in the development of insulin resistance, administration of TNF- α to animal model result in insulin resistance and neutralization of TNF- α reduced insulin resistance.

In the study of the efficacy of Diabenox, subjects taking Diabenox 4 capsules/ day for 15 days, their IFN- γ and TNF- α were significantly reduced compared to subjects taking placebo. The lower IFN- γ level, the lesser destruction of insulin producing cells in pancreas, the normal insulin production. The lower TNF- α level, the lesser insulin resistance. These results indicate that Diabenox may prevent the development of diabetes and improve the quality of life of the patients.



Project 2

The clinical study was done with the quality of life in 17 end stage chemo-refractory non-small cell lung cancer patients with BIM Dietary Supplement. Evaluation of the performance status by physician showed that two months after taken the BIM Dietary Supplement, almost all patients had stable (not worsen) or decreased (better) performance status score. It indicated that the patients had better quality of life. Statistical assessment revealed that patients had better quality of life, evaluating from the stable body mass index, blood albumin level and blood hemoglobin every time of the following up and correlated well with performance status value.

BIM Dietary Supplement is found to be safe in cancer patients, as there were no changes in complete blood count, liver and kidney function or blood chemistry. This finding suggests that BIM Dietary Supplement is non toxic and the cancer patients live with better quality of life.

The patients who received BIM Dietary Supplement were all in the end stage (stage 4) lung cancer and having recurrence of disease after finished standard treatment (at least 2 formula) and no other standard drug available. These patients, although further receive formula 3 and 4 of chemotherapy will have mean survivor time about 5.8 months. This value is not different from that of the patients received BIM Dietary Supplement who had mean survivor time about 6.2 months.

Project 3

Study of Operation BIM Products on the Stimulation or Control of the Immune System in HIV/AIDS patients is aimed to investigate the possible immunomodulatory effects of the Operation BIM product in HIV/AIDS patients by comparing the change in the blood CD4+ lymphocytes, HIV viral load and cytokine production from stimulated T helper cell sub-populations in HIV/AIDS patients upon intake of Operation BIM product and placebo.

Now, it is in the stage of recruitment of volunteers and information collection. When this project finish, if Operation BIM product increases Th1 and Th17 in HIV/AIDS patients as in normal volunteers in the first project, the in HIV/AIDS patients will have a better life, no opportunistic infection, no side effect from anti-retroviral drugs, APCO will launch new product "LIV capsule". At present, it is under registration with Thai-FDA..

Future Projects

The company has plans to launch new products, expand business and customer base as follows :

(1) Launching new products

The company is conducting a research in cooperation with Chiang Mai University and developing the Operation BIM product for HIV / AIDS patients. The company has granted Professor Dr. Watchara Kasinrerks an Honourable Professor of Asian Phytoceuticals of Chiang Mai University in order to be responsible for the abovementioned research. From the preliminary research, it was found that HIV / AIDS patients' quality of life has been improved significantly. At present, the product is under registration with Thai – FDA. The company hopes to publicize the success of the research before November 6, 2013.

Moreover, the company is planning to establish a factory and commercialize dietary foods for sale both inside and outside Thailand by co-investing with the potential company. It is hoped to have everything done in 2013.

(2) Adding more distribution channels.

- Expanding distribution channels

The company has planned to extend distribution channels for cancer products through health science personels by establishing Th17 Global Company Limited (<http://www.th17global.com>) in which APCO owns 99.85%. Its aim is to coordinate with Th17 Companies in different countries. At present, there are Th17 Company in Thailand and Singapore and will be extended to other countries such as U.S.A in the near future.

Besides, the company has set up a subsidiary company to administer sales, advertisement and public relations of APCO products e.g. for cancer and HIV / AIDS patients. These products need to be directly publicized with the patients. This new company will also organize event marketing for other companies and institutions to earn more income for APCO.

Capital Structure

1. Company Securities

The company has registered capital of 200,000,000 Baht. There are 200,000,000 paid common shares, each of which is worth 1 Baht.

2. Shareholders

The first 10 major shareholders as of 12th March 2013 are:

List of Shareholders	Relations with the Company	Amount (Share)	Percent
1. Wiriyaichitra family including			
Mr.Pichaet Wiriyaichitra	Managing Director	97,323,440	48.66
Mrs.Arune Wiriyaichitra	Board	14,936,810	7.47
Mrs.Wirawan Wiriyaichitra	Pichaet's sister	350,980	0.18
Mrs.Wipa Witayawayroj	Pichaet's sister	402,880	0.20
Mr.Sinart Wiriyaichitra	Pichaet's nephew	202,680	0.10
Ms.Sirirat Wiriyaichitra	Pichaet's niece	202,680	0.10
Mrs.Sirithip Wiriyaichitra	Pichaet's niece	100,000	0.05
Entire Wiriyaichitra family		113,519,470	56.76
2. Samalapa family including			
Mr.Chinnakarn Samalapa	Board	25,000,000	12.50
Mr.Chankrit Samalapa	Chinnakarn's brother	4,300,000	2.15
Entire Samalapa family		29,300,000	14.65
3. Mr.Nattapat Rangsarn	-	7,961,100	3.98
4. Hanchanlash family including			
Khunying Chamnongsri Hanchanlash	Board	4,321,470	2.16
Mr.Jingjai Hanchanlash	Board	1,207,160	0.60
All Hanchanlash Family		5,428,630	2.76
5. Mr.Promonmart Chaiyasin	-	5,003,500	2.50
6. Mr.Somphol Kriatikamonchai	-	2,203,500	1.10
7. Ms.Prasong Udompakkayakul	-	1,628,700	0.81
8. Mr.Wittaya Naratassajan	-	1,540,000	0.77
9. Thai NVDR Co.,Ltd.	-	1,490,300	0.75
10. Ms.Pachara Dhechaphraphan	-	1,476,300	0.74

Source: The Stock Exchange of Thailand Group Co.,Ltd. on 12th March 2013

3. Dividend Policy

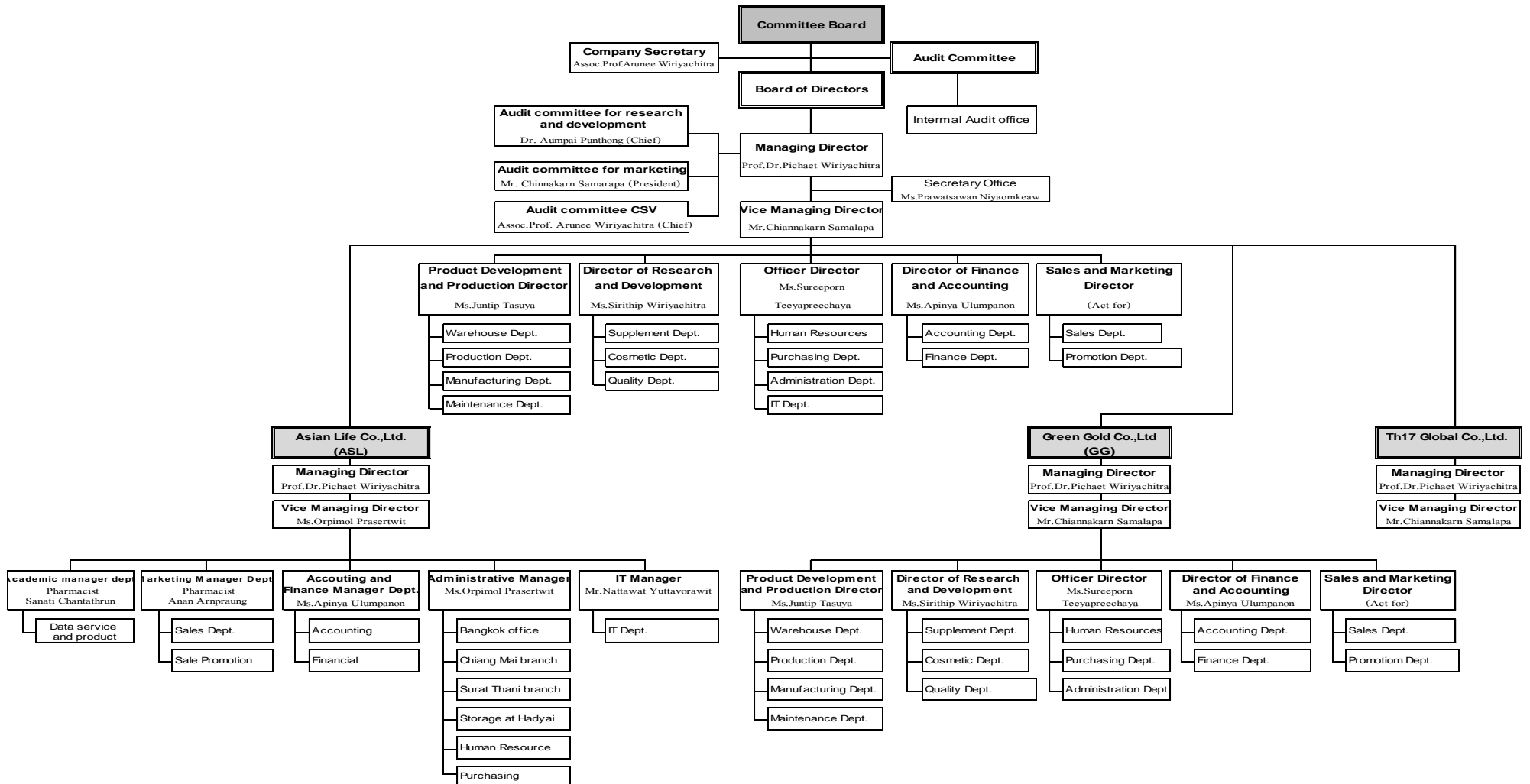
The company is required to pay shareholders dividend of not less than 40% of the net profit after deducting corporate income tax and legal reserve. The payment of dividend must take the following factors into consideration such as operation results and the company's financial status, liquidity, business expansion and other relevant factors related to the company's management. However, the company may pay the lower rate of dividend in case the company needs to spend the money from the net profit expanding the company's business.

Similarly, subsidiaries and/or corporates are required to pay the company dividend of 100% of the net profit after deducting corporate income tax and legal reserve. The payment of dividend must take the following factors into consideration such as operation results and the company's financial status, liquidity, business expansion and other relevant factors related to the company's management. However, the company may pay the lower rate of dividend in case the company needs to spend the money from the net profit expanding the company's business.

Management

Organization Structure

Asian Phytochemicals Co.,Ltd. and Subsidiaries
on 31 December 2012



1. Management Structure

The company's management structure consists of three series of committees, including the Board of Directors, Audit Committee and Executive Committee. The details are as follows:

1.1 Board of Directors

The company's board of directors consists of 9 members:

1. Ms.Maleeratna	Plumchitchom	Independent Director, Chairperson of the Board, and Chairperson of the Audit Committee
2. Prof.Dr.Pichaet	Wiriyachitra	Board
3. Dr.Jingjai	Hanchanlash	Board
4. Khunying Jumnongsri	Hanchanlash	Board
5. Mr.Chinnakarn	Samalapa	Board
6. Assoc.Prof. Arunee	Wiriyachitra	Board
7. Emeritus Prof.Krait	Boonyakiat	Independent Director
8. Assoc.Prof.Dr.Varakorn	Samakoses	Independent Director and Audit Committee
9. Prof.Dr.Praipol	Koomsup	Independent Director and Audit Committee

Note: Assoc.Prof. Arunee Wiriyachitra serves as Secretary.

The director who has authorities to sign the company affiliate is Mr. Pichaet Wiriyachitra or Mrs. Arunee Wiriyachitra. Another signature is required, whether it is Mr.Jingjai Hanchanlash, Mr.Chinnakarn Samalapa or Khunying Jumnongsri Hanchanlash. In total, the two signatures are required along with the company's seal.

Scope of Duties and Responsibilities of the Board Directors

The authority and responsibility to manage the company in accordance with the law. The duties and responsibilities can be concluded as follows;

1. Arrange the annual shareholders' meeting within 4 months after the end of the company's accounting period.
2. Arrange the board of director meeting at least once every three months
3. Prepare the company's balance sheet and income statement at the end of the company's accounting period, have them audited by auditors and present them to the shareholders for consideration and approval.
4. The board of directors may authorize one director or more or other parties to perform a task under the board of directors' supervision. Or the board may delegate authorities to the person in a certain period of time as seen appropriate. The board has a right to revoke the authority or change the person at any time as seen appropriate.

In addition, the board gives authority to the managing committee to perform different tasks but the authority is limited by the committee's rights and duties. However, this authority must not give any power to the board of directors or the authorized person that will allow them to consider or approve the list of items that they are personally involved in, have profit or loss or have a conflict of interest with the company or its subsidiaries. An exception is made if the approved list goes along with the company's policy already considered and approved by the committee. All of this will be according to the law.

5. Set the company's goals, directions, policies, plans, and budgets. Supervise the executive boards' administration and management as agreed in the policy. However, there are some issues that need to be approved by the shareholders first. They are the issues required by law such as the increase or decrease of capital share, the issuance of share, the sales or transfer of the company's business, whole or partial, to other parties or the purchase or transfer receipt of other parties' business, the amendment of memorandum of association or regulations and etc.
Moreover, the board of directors is also responsible for ensuring that the company complies with the laws and regulations from the Securities and Exchange Act. The regulations of the stock exchange include transactions and trades of assets in accordance with the regulations of the Stock Exchange of Thailand or other laws concerning the company's business.
6. Examine the management structure and appoint members of board directors, managing directors and other committees as appropriate.
7. Continuously monitor the company's performance to follow plans and budgets.
8. Unless the matter is brought to the board of directors prior to appointment, directors shall not engage in any business of the same type or business that is a competition of the company, become a partner in any ordinary partnership or unlimited liability in any ordinary partnership or be a director of any private company doing the same business, whether it is done for their own or others' benefits.
9. Directors are required to immediately notify the company in case they benefit or lose profits from, either directly or indirectly, the company's contract, shares or the increase or decrease of other securities in the company or subsidiaries.

Company Secretary

The Board agreed to appoint Assoc.Prof.Arune Wiriyaichitra as company secretary to comply with the Securities and Exchange Act 1992, section 89/15, revised by the Securities and Exchange Act 2008 (NO.4). The secretary's duties and responsibilities are as follows:

1. Prepare and preserve committee registration documents;
2. Prepare and preserve meeting agendas (board of directors/ shareholders), meeting reports (board of directors/ shareholders) and annual reports;
3. Preserve reports of conflict of interest reported by both directors and committees. Submit the copies to the chairperson to audit within seven working days.
4. Manage other matters as announced by the Federation of Thai Capital Market Organization.

1.2 Audit Committee

The Board of Audit Committee consists of 3 members:

- | | |
|-------------------------------------|--|
| 1. Ms.Maleeratna Plumchitchom | Chairperson of the Audit Committee (who has enough knowledge and experiences to audit reliable financial statements) |
| 2. Assoc.Prof.Dr.Varakorn Samakoses | Audit Committee |
| 3. Prof.Dr.Praipol Koomsup | Audit Committee |
- And Ms.Jutirat Promchotchai serves as secretary of Audit Committee

Scope of Duties and Responsibilities of Audit Committee

The shareholders' annual meeting agreed to give the audit committee the following authorities and responsibilities:

1. Ensure that the company has an adequately accurate and transparent financial statement by coordinating with external auditors and executives responsible for preparing quarterly and annual financial reports. The audit committee may recommend auditors to review or check any items as seen necessary for the company's auditing;
2. Ensure that the company has an internal control and an internal audit system that is appropriate and effective;
3. Monitor the company's compliance with existing laws and regulations governing the operation of public companies, e.g. Securities Act and Stock Exchange's regulations and other relevant commercial laws;
4. Screen, select and nominate an auditor for the company. Propose auditing fees after considering the reliability, resource sufficiency, the amount of existing auditing work of an auditing company as well as the experiences of an appointed auditor;
5. Review the disclosure of information in case there are connected transactions or any other transactions that may be the cause of conflict of interest to ensure the accuracy and completion. Also, approve such transactions before presenting them to the board of directors and shareholder of the company;
6. Review the company's policies of financial management and risk management according to the approval of board of directors and audit committees;
7. Prepare a report on the audit committee's affairs as part of the Company's Annual Report, certified and signed by the chairperson;
8. Perform and carry out any other duties and tasks as assigned by the audit committee.
9. Report to the board of directors when finding out or suspecting any of the following items or actions that could have an impact on the company's financial standing and operation results:
 - A. Items containing a conflict of interest
 - B. Corruption or irregularity or any significant defect of internal control
 - C. Violation of laws and regulations of the Securities Act, the Stock Exchange and other relevant commercial laws.

1.3 Executive Committee

The Board of executive committee consists of 3 members:

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|---------------------------------|--|
| 1. Prof.Dr.Pichaet Wiriyachitra | Chairperson of the Executive Committee and Managing Director |
| 2. Dr.Jingjai Hanchanlash | Executive Committee |
| 3. Mr.Chinnakarn Samalapa | Executive Committee |

Scope of Duties and Responsibilities of Executive Committee

The authority and responsibility to manage the ordinary business operation and management, policies, business plans, budgets, management structure, and other relevant business matters of the company to suit the economic situations. The scope includes monitoring and following the company's business operations in accordance with the approved policy. The duties and responsibilities can be summed up as follows:

1. Ensure that the company operates and manages the business in compliance with the objectives, regulations, policies, orders, and resolutions of the board of directors and/or shareholders in all aspects.
2. Set the company policies, strategies goals, company directions, budget plans, human resource management, investment plans, and public relations in compliance with the board's approval. Control and supervise the appointed operation team to achieve the company's goals.
3. Prepare annual budgets proposed by the management team and present them to the board of directors for consideration and approval. Furthermore, consider and approve changes and increases in annual budgets when there is no board meeting and present them to the board of directors in the next meeting for approval or oath.
4. Set the organization's structure and administrative power including appointment, employment, transfer, salary structure, compensation, bonus payment policy for directors and and layoff.
5. Have a power to authorize one or more committees or any other person to operate one or more task under the supervision of the board of directors. Or they may delegate their authority to such a person with power in a period of time as seen appropriate. The committee has a right to revoke, withdraw or change such a person or authority at any time when appropriate. However, they will not authorize any person who may have conflicts of interest in the operation.
6. Have the authority to approve the following financial transactions:
 - A. Approval of reimbursement for normal operation expenses and procurement of properties or other services that benefit the company in the amount of not exceeding 30 million Baht per time, not more than 100 million Baht per quarter. If the budget exceeds this amount, permission needs to be given by the board of directors.
 - B. Approval of loan or open credit of the company, including requests for bank guarantee statements for both normal business conditions and investment expenditures such as investment or property trades and loans to subsidiaries with the amount of not exceeding 20 million Baht per time and not more than 40 million per quarter. Permission is required from the board of directors if the amount exceeds 40 million Baht.
 - C. Approval of ordinary sales or services of the company such as products sales approval and approval of contract of ordinary business operations. The amount of each transaction is not over 50 million Baht, not over 400 million Baht per quarter. Permission is required from the board of directors if the amount exceeds 40 million Baht.
 - D. Approval to pledge or mortgage the company's assets as collateral to the company's existing or future debt. The amount is not over 20 million Baht per time, not over 40 million Baht per quarter. Permission is required from the board of directors if the amount exceeds 40 million Baht.
 - E. Approval of opening and closing all types of accounts with banks or financial institutions with a right to set conditions of the withdrawal or other relevant legal transactions of such account.

F. Approval of significant capital expenditures in the annual budget expenditure as specified by the board of Directors or by the principles approved by the board of directors or by the temporary appointment of the board of directors.

Nevertheless, the board of directors has no authority to consider or approve transactions from which the directors gain or lose profits or transactions that have a conflict of interest with other companies or subsidiaries unless those transactions are approved and comply with the policies and regulations mutually agreed by the board of directors and shareholders as well as the law. However, this can be cancelled, revoked or amended through the agreement of the board of directors.

Management Group and Advisory Group

Management Team

The management team had 5 members:

1. Prof.Dr.Pichaet Wiriyaichitra	Managing Director/ Acting Director of Sales and Marketing
2. Mrs.Chantip Tasuya	Director of Production and Product Development
3. Ms.Sureeporn Teeyaprechaya	Office Director
4. Mrs.Apinya Ulumpanon	Director of Account and Finance
5. Mrs.Sirithip Wiriyaichitra	Director of Research and Development

Scope of Duties and Responsibilities of Management Team

1. Have an authority as administrator to manage, control, and operate the company's business;
2. Implement duties assigned by the board of directors and/or the executive committee and be able to delegate power and task to other individuals as seen appropriate. However, no authority shall be delegated to those who may have a conflict of interest in the operation;
3. Have power to issue orders, regulations, announcements and memos to ensure that the operation complies with the company's policies and benefits as well as to maintain the disciplines in the organization;
4. Act on behalf of the company or be a representative to external parties in issues related to the company and its benefits.
5. Investigate investment opportunities in order to present them to the board of directors and/or the executive committee;
6. Consider appointing consultants necessary to the operation of company business to present them to the board of directors and/or the executive committee;
7. Have authority to approve the following financial transactions:
 - A. Approval of reimbursement for normal operation expenses and procurement of properties or other services that benefit the company in the amount of not exceeding 10 million Baht per time, not more than 30 million Baht per quarter. However, the amount does not include operations such as the company's loan or trust approval or approval of investment expenditures such as investment capital trades or permanent assets. The above operations require permission from the board of directors and/or the executive committee.
 - B. Approval of ordinary sales or services of the company such as products sales approval and approval of contract of ordinary business operations. The amount of each transaction is not over 30 million Baht, not over 100 million Baht per quarter. Permission is required from the board of directors if the amount exceeds 100 million Baht.

8. Perform and carry out any other duties and tasks as assigned by the company's board of directors and/or the executive committee.

Nevertheless, the managing director has no authority to consider or approve transactions from which he/she gains or loses profits or transactions that have a conflict of interest with other companies or subsidiaries unless those transactions are approved and comply with the policies and regulations mutually agreed by the board of directors and shareholders as well as the law. However, the managing director's decision can be cancelled, revoked or amended through the agreement of the board of directors.

Advisory Group

The company has three advisory groups giving advice on various aspects of operations to the company:

Advisory Group for Research and Development consists of

- | | |
|---------------------------|---------------|
| 1. Assoc.Prof.Dr.Ampai | Panthong |
| 2. Assoc.Prof.Dr.Souwaluk | Phongpaichit |
| 3. Assoc.Prof.Dr.Wilawan | Mahabusarakam |
| 4. Assoc.Prof.Dr.Siriwan | Ong-chai |

Their roles are to give advice on product research and development and to be a part of the research and development team in order to further improve and develop the company's products. All the members are professors who specialize in different research fields from Chiang Mai University and Prince of Songkla University.

Advisory Group for Marketing consists of

- | | |
|-----------------|------------|
| 1. Mr.Chinakarn | Samalapa |
| 2. Ms.Ornphimol | Prasertwit |

Their roles are to give advice on the development of the market for the company's products, both in terms of network marketing and other distribution channels. Ms.Ornphimol Prasertwit is an expert in network marketing and Mr.Chinakarn Samalapa gives advice in area of other distribution channels.

Advisory Group for CSR (Corporate Social Responsibility) consists of

- | | |
|-------------------------|--------------|
| 1. Assoc.Prof. Arunee | Wiriyachitra |
| 2. Khunying Chamnongsri | Hanchanlash |
| 3. Dr.Jingjai | Hanchanlash |
| 4. Mrs.Suphankae | Samalapa |

Their roles are to give advice on arranging activities for the society and environment such as budget sponsoring events for research and development in government-owned institutions, money and item donations for the underprivileged and victims of natural disasters and etc. Those activities are part of the company's continuous policies to pay back to the society and environment.

2. Election of Board Members and Directors

2.1 Factors and appointment of the board of directors

The company has no committee to select board members or directors in particular because this is the first year of the company's commercial registration. Therefore, to elect individuals to be the board of directors, the company has considered candidates based on their knowledge, competency, experiences and their constant participation in the board meeting as well as qualifications specified by law. The board of directors must consist of no less than half (1/2) of the total number of directors whose residency is in the Kingdom of Thailand. The election of directors by the shareholders' meeting shall be in accordance with the following rules and procedures:

1. A shareholder shall have one vote for one share according to the number of shares they possess.

2. Each shareholder shall use all his or her votes under (1) to elect one or several persons as a director. However, he or she may not divide his or her votes among the candidates.
3. The persons who receive the most votes in ranking order will be elected as directors. In case the persons elected in subsequent order have equal votes, the chairman of the meeting shall have a casting vote.

At each annual general meeting of shareholders, one-third of the company's directors shall retire in rotation. Should the number of Directors to retire in rotation not be divisible by three, the number of Directors nearest to one-third (1/3) of all directors shall retire. In the first and second year of the registration of the company, Directors shall draw lots to decide who shall retire the longest-serving directors shall retire in the third and subsequent years. Directors who retire may be re-elected.

2.2 Factors and appointment of independent committee

The Board of Directors considers the primary qualifications of the persons who will be independent committee. The independent committee's qualifications are considered along with the Public Companies Act, Laws on Securities and Stock Exchange, Announcements of the Capital Market Supervisory Board, the regulations of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand as well as other relevant announcements and/or regulations. Other qualifications are also considered such as work experiences and competency. The selected persons shall be presented to the shareholders for formal appointment. Independent committee shall consist of one-third (1/3) of all directors and no less than 3 persons.

Qualifications of independent committee

1. Holding not more than 1% of the total shares with voting rights of the company, a subsidiary or associated company thereof, a person with controlling interest or a juristic person with a potential conflict of interest. The amount of shares includes those held by related parties.
2. Not or never being a director involved in management, an employee, staff or consultant with a regular salary or a person with controlling interest in the company, a subsidiary, associated company or affiliate thereof, a major shareholder or a juristic person with a potential conflict of interest, except that such characteristics have lapsed for at least two years. Furthermore, the above prohibited qualifications do not include cases where individuals were government officials or consultants to government institutions that are major shareholders or have a controlling authority over the company.
3. Not having a relation by blood or lawful registration as father, mother, spouse, sibling, offspring, including spouse of the offspring of an executive, a major shareholder, a person with controlling interest or a person being nominated as an executive or a person with controlling interest of the company and a subsidiary thereof.
4. Not having or never having a business relationship with the company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest in a manner that may impede the exercise of his/her independent judgment, including a person being or having been a major shareholder, a non-independent director, or an executive with a business relationship with the company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest, except that such characteristics have lapsed for at least two years prior to the appointment.

The business relationship above includes normal transactions of business, rent or lease of real property, transactions related to assets or services, or a provision or receipt of financial assistance by receiving or granting a loan, guarantee, allowing the use of an asset as collateral for a debt, including other similar acts that result in the company or its party being liable to the other party from three percent of a tangible asset or 20 million Baht, whichever is smaller. The calculation of such obligation shall comply, mutatis mutandis, with the method used in the calculation of connected transactions under the Office of the Securities and Exchange Commission's Notification Re: Information Disclosure and Practices of Listed Companies on Connected Transactions. The amount of the obligation shall include the amount incurred one year prior to the date of business relationship with the same person.

5. Not or never being an auditor of the company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest and not being a major shareholder, non-independent director or managing partner of an audit firm which has its auditor as an auditor of the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest, except that such characteristics have lapsed for at least two years.
6. Not or never being a provider of any professional service including legal service or financial advisor service with a service fee amounting to over two million Baht per year from the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest. In case the professional service provider is a juristic person, a major shareholder, non-independent director, executive, or managing partner of the professional service provider is included, except that such characteristics have lapsed for at least two years prior to the appointment.
7. Not being appointed to represent a director, major shareholder or related person of a major shareholder of the company such as having a shareholders agreement on the election of the directors to represent and look after the benefit of a particular group of shareholders.
8. Not being a director of other listed companies, which is the parent company, subsidiary or same level subsidiary. Not being a director who participates in administration, service and staff section or a permanent consultant with a regular salary. Not being a shareholder of more than 1 percentage of all voting shareholders belonging to other listed companies that are the competitors of the company and subsidiaries.
9. Being able to perform duties, or express opinions or reports as assigned by the board of directors without any characteristics, which render him/her incapable of expressing independent opinions with regard to the company's business affairs. Being free from influences of a particular individual or group of people or circumstances that may affect his/her explicit opinion expression.

2.3 Factors and appointment of audit committee

The board of directors will appoint the audit committee, consisting of at least 3 members from the independent committee.

The extended qualifications of Audit Committee are as follows:

1. Not being a director appointed to by the board of directors, where he or she is allowed to make any decision on company business, parent company, subsidiaries, associate company or same level subsidiary, major holders or persons with controlling power of the company.
2. Not being a director in any registered parent company, subsidiaries or same level subsidiary.
3. Having enough knowledge and experiences to perform as audit committee. The audit committee must be able to devote sufficient time to perform the duties of audit committee.
4. Not being a director of over 5 registered companies since it might influence the performance of one company unless he/she is an important part in providing advice to companies and able to allocate appropriate time for the company.
5. At least one Audit Committee shall have enough knowledge, comprehension or experience in accounting to perform a reliable audit of financial report.

Each audit committee shall have the official terms of three years.

3. Compensation for Directors

(1) Monetary compensation

Total compensation for board members

The annual general meeting of shareholders which was held on 24th April 2012 has specified the compensation for board members and audit committee in the form of board meeting pension as displayed in the following table.

Position	Food Expense for Meeting
<i>Committee meeting</i>	
Chairperson Committee	17,000 Baht/time
Committee	12,000 Baht/time
<i>Audit committee meeting</i>	
Chairperson of the Audit Committee	17,000 Baht/time
Audit Committee	12,000 Baht/time

However, any board member who is also in the position of director will not receive board meeting pension since he or she already receives compensation as a director.

Compensation for board of directors of 2012 is summarized in the following table.

First – Last Name	Total Attendance (time)		Bonus 2012	Total Compensation (Baht)		
	<i>Committee meeting</i>	<i>Audit committee meeting</i>		<i>Committee meeting</i>	<i>Audit committee meeting</i>	<i>Total (Baht)</i>
Ms.Maleeratna Plumchitchom ^{/1, /2, /4}	4/4	4/4	72,500	68,000	68,000	208,500
Prof.Dr.Pichaet Wiriyaichitra	4/4					
Dr.Jingjai Hanchanlash	1/4			12,000		12,000
Khunying Chamnongsri Hanchanlash	2/4			24,000		24,000
Mr.Chinnakarn Samalapa ^{/3}	4/4			12,000		12,000
Assoc.Prof.Arune Wiriyaichitra	4/4			48,000		48,000
Emeritus Prof.Krairit Boonyakiat ^{/4}	4/4		72,500	48,000		120,500
Dr.Varakorn Samakoses ^{/4}	3/4	3/4	72,500	36,000	36,000	144,500
Prof.Dr.Praipol Koomsup ^{/4}	4/4	4/4	72,500	48,000	48,000	168,500
Total			290,000	296,000	152,000	738,000

Note ¹ Chairperson of the Board

² Chairperson of the Audit Committee

³ Mr.Chinnakarn Samalapa has been appointed Vice Managing Director on 1st February 2012.

⁴ 2012 Bonus for the Board is paid to the Independent Director, calculated from the 2011 annual income.

Compensation for directors

	2012	2011
Number of Directors*	7 persons*	6 persons
Total Compensation for Directors (Baht)	10,748,667	8,802,334
Form of Compensation	Salaries and Bonuses	

Note * Mr.Chinnakarn Samalapa has been appointed Vice Managing Director on 1st February 2012.

(2) Additional compensation

The company has established the Retirement Mutual Fund for the directors and employees since 2005 which requires each member to contribute at the rate of 3 percent of their salaries and the same amount will be contributed by the employers.

The company realizes the importance of complying with the principle of corporate governance in business. Hence, the board of directors has created a policy to comply with the principle and code of best practices for the board members which is consistent with the Code of Best Practices for Directors of Listed Company according to the Stock Exchange of Thailand. Therefore, the setting up of any provision will be based on actual practicality. In addition, the Company utilizes the principle of Good Corporate Governance in guiding the policy development that includes the rights and equality of the shareholders and stakeholders, structure, roles, responsibilities and independence of the board of directors, disclosure and transparency, control and risk management, and business ethics. All of these are for promoting efficiency and transparency of the management and business proceeding of the Company through the principle of Good Corporate Governance whose second amendment was approved by the Board of Directors and initially implemented on February 20, 2013. An annual review for its contents is also scheduled whereas employees at all levels must adopt this principle strictly. The principle of Good Corporate Governance covers the five categories as follows.

Section 1: The Rights of the Shareholders

The company realizes and respects to the rights of the shareholders by not proceeding in any action that violates the right of shareholders. Moreover, it will support the shareholders to exercise their basic rights, e.g. sale or transfer of shares, sharing of the company's profits, receiving adequate information regarding the Company, attending the shareholder meetings to exercise the right to vote in the removal of directors, selecting auditors and making decisions on matters that affect the Company such as the allocation of the dividend, the provision or amendment of regulations and memorandum of association, the reduction or increase of capital, and the approval of special items.

The company will support any matter that encourages and facilitates the exercise of rights of the shareholders as follows:

- The company will assign the board of directors to provide a written appointment both in Thai and in English for shareholder meetings with adequate information for the shareholders to be notified about 30 days prior to the date of the meeting on the company's website at www.apco.co.th before sending the document to the shareholders not less than 21 days prior to the date of the meeting or to follow the prescription of the Securities and Exchange Commission and the Stock Exchange of Thailand.
- The shareholders have the right to propose an agenda for the shareholder meetings in advance during October-December, 2012 and are given opportunities to raise questions with regard to the shareholder meeting's agendas in advance until January 31, 2013. They are informed through the information system of the Stock Exchange of Thailand whereas the clear criteria and procedures are posted on the company's website at www.apco.co.th.
- In each shareholder meeting, the chairman will clarify the rules for the meeting including voting procedures and allocate time sufficiently for the meeting.
- The shareholders will annually approve the remuneration for the board of directors. The policies and clear criteria for such remuneration will also be informed to the shareholders.
- The shareholders will be given extreme opportunities to raise questions and give comments and suggestions in any meeting with the presence of the board members and directors. After the meeting is adjourned, the company will produce the meeting minutes by showing accurate and complete information for the scrutiny of the shareholders.
- In the case that any shareholder cannot attend the meeting by him- or herself, the company grants an opportunity to these shareholders the privilege of authorizing any independent director or person to attend the meeting in his or her name by using any type of the proxy enclosed with the written appointment specifying the document/evidence including suggestions on how to authorize any other person.

Section 2: The Equal Treatment of the Shareholders

The company will treat all shareholders equally and fairly including shareholders who are in the position of director, shareholders who are not in the position of director, foreign shareholders as well as minor shareholders with the following principles:

- The shareholders have the right to nominate any other person to be considered for the board of director in advance during October-December, 2012. They are informed through the information system of the Stock Exchange of Thailand whereas the clear criteria and procedures are posted on the company's website at www.apco.co.th.
- The board of directors will not raise an additional agenda without informing the shareholders in advance if it is not necessary, especially an important agenda that requires the shareholders time to study before making any decision.
- No other companies, except for the subsidiaries, are subject to any financial aids.
- The company has set up a policy to prevent any unauthorized use of information by prohibiting agencies that were exposed to the information from revealing it to other agencies or non-related personals. In the event that any employee or director reveals the information or use it to benefit themselves or their accomplices, it will be considered a serious offense and will receive a disciplinary punishment.
- In a shareholder meeting, board members and chief executive officer will share information about their interests in each agenda in order for the board of directors to consider any transaction that may be in conflict with the interests. This will allow them to make decisions for the benefit of the company as a whole. The board members and the chief executive officer whose interests are in conflict with the company's will be revoked the right to vote in that agenda.
- The company has a clear and transparent structure of stockholders without any cross holding with the major stockholders and without the pyramid structure of stockholding among the subsidiaries. This can result in no conflict of interest to any party. In fact, the stockholding structure of the company and its subsidiaries including a complete list of securities owned by the board of directors are publicly revealed in the annual report.

Section 3: The Roles of Stakeholders

The company respects the rights of every group of stakeholders and has created a policy which is important in treating all stakeholders as follows.

Shareholders:	The company is committed to dealing businesses with the knowledge and management skills as best as possible in all cases with the honesty and fairness to both major and minor shareholders for the best interest of shareholders as a whole. This includes disclosure of information on a regular basis with completeness and accuracy.
Employees:	The company will provide fair compensation to employees, set up the provident fund, maintain the working environment that is safe for life and property and give an emphasis on the development of employees' potential thoroughly and consistently. It will also strictly comply with laws and regulations that are employee-related and avoid any action that is deemed unfair which may affect the career integrity of the employees as well as treat the employees with courtesy and respect to their dignity as human beings.
Clients:	The company is committed to produce products and services with quality and standards at a reasonable price, very strictly and consistently maintain confidentiality of our customers, relentlessly in pursuit of opportunities that will continuously benefit the customers and strictly in compliance with conditions prescribed to its clients.
Partners and creditors:	The company will not practice corruption in dealing businesses with its partners and creditors and is committed to comply with conditions strictly prescribed with creditors, e.g. the purposes of payment, reimbursement, the regulations of the quality of collateral and any other agreements with creditors to achieve mutual benefits.

Competitors: The company will conduct operations under the rules of good competition, will not seek competitors' confidential information by dishonest or improper means, will not infringe any intellectual property or copy right, will act against any corruption and bribe for the company's benefit, and will not damage the reputation of its alleged competitors without unfounded grounds.

Society: The company will focus on an operation using the resources efficiently and will not take any action that may result in damage to the natural and social environment. Instead, it seeks opportunities to support creative social activities, knowledge training, and social responsibility among employees at all levels continuously and seriously as well as to control the practice strictly in accordance with the spirit of the law and regulations issued by regulatory agencies.

The stakeholders can directly contact or file a complaint regarding the problematic matters to the company or the board of directors by a letter or through the company's secretary or investor relations at www.apco.co.th.

Section 4: Disclosure and Transparency

The company recognizes the importance of disclosure of accurate, complete and timely information and meets the standards of the Stock Exchange of Thailand in terms of financial reports and general information as well as other important information affecting stock prices and the decision-making process of investors and stakeholders of the company. Moreover, to provide all the relevant information equally, the company releases the public information through the Stock Exchange of Thailand and the website at www.apco.co.th.

The board of directors is responsibly aware of the significance of the accurate and reasonable financial report. The statement of the company was prepared in accordance with the well-accepted accounting standard by the selection of appropriate accounting policies and accounting records which have enough accuracy to maintain the property. This is to identify the weaknesses in order to prevent fraud or irregularities of the material which is consistently implemented and to make sure that the financial statements are adequately disclosed. Furthermore, the board has appointed a committee to monitor financial reports, transactions and internal control system. The audit committee will report the audit results to the board in every meeting. The board of directors, the audit committee and the auditor' reports are detailed in the annual report. As for the investor relations, it is assigned to Professor Dr. Pichaet Wiriachitra, Managing Director and Mrs. Apinya Uloompanon, Director of Finance and Accounting Department to be responsible for communicating with shareholders, analysts and those involved.

Section 5: Responsibilities of the Board of Directors

(1) Structure of the board of directors

The board of directors consists of the directors who have knowledge, competency and experience in doing business which is beneficial for the company. The company's board of directors is appointed by the general meeting of shareholders. It consists of 9 directors, including 4 independent directors: one chairman of the audit committee and two audit committees. At least one committee must have enough accounting knowledge to be able to audit and ensure the reliability of financial statements. The company also regulates that at least one-third of the board, but not fewer than 3 persons, is to be independent directors representing the minority of shareholders. They have to check and balance the company's administration of the affairs to provide the best, fairest and most accurate interest to the shareholders.

The chairman of the board must not be the same person as the managing director and chief executive officer to achieve the balance and the review of the management. To achieve this, the company has clearly set the scopes of power, duties and responsibilities of the board of directors, executive committee and the managing director to prevent them from having unlimited managing and financial power.

As the managing director has his duties to administer the routines, taking a position of a committee in other companies may disturb the working hours. The board of directors has no policy to support the managing director to take any positions in other businesses. In case of necessity, the managing director may submit his request to the board of directors for an approval.

(2) Sub-Committee

The board of directors has appointed the following sub-committee to assist in the company's operations:

- 3 executive committees who help facilitate operations with the powers and duties assigned by the board of directors.
- The audit committee has at least 3 persons to monitor and assist in overseeing the operations of the company's scope of duties as assigned by the Board of Directors. All members have qualifications stated in the Securities and Exchange Act or in the rules and regulations of the Securities and Exchange Commission or the Securities and Exchange Commission or the Stock Exchange of Thailand.

However, the company may recruit other sub-committees to perform their assigned tasks to alleviate the administrative burden of the Board of Directors in the future.

(3) Roles, duties and responsibilities of directors

The board of directors determines the policy, vision, strategy, goal, business plan and budget as well as oversees the effective and efficient administration and management to ensure compliance with agreed policies and strategies within the framework of the law, the company's objectives, regulations and resolutions of the shareholders established by the board of directors.

Business Code of Conduct

The company has written a guideline on the business code of conduct for the board, the audit committee, and the working parties to observe. Its key issues are the discretion of the company's confidentiality, honest and law-abiding operations, respect of the legitimate rights of each other and caution of the resources, both internal and external environment. This important focus of ethics in business will bring integrity in performances and the efficiency of an internal control, resulting in faith in capital markets and confidence to establish credibility with investors.

The Policy on Conflicts of Interest

The company's policy on conflict of interest is based on a principle that all employees are required to act only in the best interest of the company. Any actions or decisions must be free from influences of the needs of themselves, their family, relatives, siblings or other parties of their own acquaintances. The policy covers two following issues:

- Transactions: The company will consider the appropriateness before carefully making any transaction item or determining the price and condition of any transaction, as if the company is making a transaction with a third party (Arm's Length Basis). Also, the audit committee will consider and verify the necessity and reasonability of the transaction. If the company or the subsidiary company make any transaction which is listed in the announcement of the Securities and Exchange Commission Thailand's "Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions 2003," the company will follow the regulations, conditions and procedures of the aforementioned announcement and reveal the said item in its annual report and registration statement (Type 56-1). This is done for the transparency of any transaction and to eliminate the problems of conflict of interest and other related situations.

- Other situations that can lead to conflicts of interest can be categorized as follows:
 1. General investment: The company will not allow its employees who are also shareholders, or those who benefit from its competitors, or vendors/suppliers who are in business contact with the company to take part in any decision making regarding business relationship, unless approved by the board of directors.
 2. Receiving gifts: Personnel of all levels should not receive gifts, transportation tickets, sport tickets, travel offers, accommodation or personal offers, etc., if such action can lead the company to any binding conditions or make the company lose profit.
 3. Accepting work in academia or public service, a lecturer post, or any position: Personnel of all levels can ask the head of their department to approve the acceptance of work in academic institutions or public service, or a lecturer post or any position such as company director or adviser that will help broaden their vision and offer them experience. However, all personnel are not allowed to involve the company or their position in the company with any external activity, unless approved by the board of directors.

Internal Control

The company has an internal control system to give the investors' confidence that the company operates efficiently and increase the financial budget credibility. In 2010-2011, the company hired accounting and internal control system specialist Assistant Professor Choosri Taesiriphet, Head of the Accounting Department, Faculty of Business Administration, Chiang Mai University, as a consultant for the careful installation of the internal control system and to help eliminate risks and erroneous transactions, as well as set up the internal audit department to monitor and follow up different control systems.

Moreover, Miss Jutirat Promchotchai, the company's internal inspector, has been appointed as the secretary of the internal audit committee to coordinate with Assistant Professor Choosri Taesiriphet and report the result of the internal inspection to the internal audit committee at least once every three months.

(4). Procedure of the board of directors' meeting

It is specified that the board of directors hold at least one meeting every three months as well as other special meetings if necessary. A monthly report is also expected to be compiled and distributed among the board of the directors to help them direct, control and supervise the operation of the management section promptly and continuously. A meeting invitation has to be sent to the board of directors for consideration at least seven days before a meeting is held, except in urgent cases to protect the company's rights or profits. The board of directors can ask for any extra information from the secretary if needed.

The chairman and managing director will consider the agenda, and each member of the board can also propose an agenda. The chief executive may join the meeting in order to give extra information in certain occasions.

In case of necessity, the committee who are not the executive officer may hold a meeting without the management attending such a meeting in order to discuss about the management-related problems of their interest and inform the managing director of the meeting's result. This has been usually practiced prior to the board of directors' meeting.

(5) Remuneration

The remuneration of the company's board of directors and audit members is at the level which can motivate them to maintain the desired qualities. The remuneration will be at the same level as that of other groups in the same industry, and is linked to the company's performance. The remuneration of the board of directors is approved in the shareholders' meeting.

The remuneration of the managing director and chief executive is set to match their responsibility and authority according to the rules and policies determined by the board of directors for the highest benefits of the company. The level of remuneration, including salary, bonus and long-term incentive, is set in accordance with the performance of the company and each director.

(6) Board of directors and executives' development

The board of directors supports and provides training and workshops to all employees who are involved in the corporate governance system, such as the managing director and audit director, in order to continuously help improve their performance. Training and workshops may be arranged in the office or at other external institutes.

If there is any change in the board of directors, the company's secretary will provide useful documents to the new members, as well as arrange for advice on the business type and model to be given to the new boards of directors.

(7) Assessment of the board's performance

The Board Self-Assessment is required once a year to serve as the framework for assessing the board's performance during the previous year and to improve as well as to enhance work efficiency of the board of directors. The result of this assessment will be further considered for setting up the working guideline.

(8) Assessment of the top management

The top management is expected for an annual assessment requiring an adoption of the assessment criteria suitable to the company as suggested by the Stock Exchange of Thailand.

(9) Succession planning

The board of directors prioritizes and supports the development of succession planning in the position of chief executive officer and/or important management positions regarded as a part of human resource strategies by taking into account the person suited to the succession plan. Meanwhile, the second chief executive will temporarily act for such a position. However, the permanent one must be approved by the board of directors.

Internal Control

The company puts importance on internal control for efficiency. To achieve the company's objectives, we focus on comprehensive internal controlling programs that are suitable with our business model in order to enhance efficiency in human resources management and assets and property maintenance. We are also equipped with highly-efficient accounting and financial reporting system that are credible and compliant with related rules and regulations. The company conducts an internal audit through a team of professional consultants who work independently in assessing and evaluating. The company's board assigns the audit committee to review the internal audit report and provide advice on the development plan of internal auditing system regularly.

Regarding the board's meeting no. 1/2012 dated on 24 February 2012, the audit committee convened and assessed the availability and appropriateness of the company's internal control practices following the Securities and Exchange Commission requirements, comprising of good internal control environment, acceptable risk management, operation unit control to prevent the risks which may arise, effective information and communication, and follow-up procedures, with aims to obtain the correct and reliable financial reports and ensure the practices to accord with the applicable laws. In addition, the audit committee assessed the evaluation reports conducted by the Internal Audit Office and by the auditor.

Overall, the company is well equipped with appropriate internal auditing systems suitable to their business operation whereas each working unit has followed the requirements and procedures as set. No significant errors or defects have been found in the company's internal control system.

Related Transaction

1. Related transactions of the company group and persons who may have a conflict of interest

Person(s) / Juristic Person(s) with Potential Conflict of Interest.	Relationships	Transaction Descriptions	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
			Year 2011	Year 2012	31 Dec 2011	31 Dec 2012		
Samaphan Trading Co., Ltd.	Shareholder and board member is Mr. Chinnakarn Samalapa (Share holding 12.5%)	Product sales/ account receivable	8,604,600	1,702,900	6,808,517	1,361,703	<p>The company is:</p> <ul style="list-style-type: none"> - the seller of products with the company's trademark for Samaphan Trading Co., Ltd. - the producer and packager with the trademark of Samaphan Trading Co., Ltd. which include Jada <p>The company sells products at the agreed price. This price is calculated by the cost price plus the gross profit margin (Cost Plus) in which the consideration depends on appropriateness of each distribution channel. The selling price of products to companies with relationships to Mr. Chinnakarn Samalapa cannot be compared with the price sold to other customers due to the fact that it does not include packaging price. This approach is different from other customers because the companies in Mr. Chinnakarn Samalapa's network sell products through pharmacies, export them to Vietnam and manage the logistics by themselves. It increases product distribution channel for the company's products. The aforementioned transaction has been operating continuously since the company had not yet established ASL as a product distributor of the company in particular. However, in the future the company has a policy to carry out its own product distribution (except in Vietnam (Jada Product) which already</p>	Such transactions are the way to increase the distribution channel for the company by selling the products according the commercial terms at the agreed price which is reasonable due to the fact that the company is not obligated to deliver and manage the distribution channels by itself.
Bio Nutrition Research Co., Ltd.		Other account payable (Advance account payable)	-	-	21,580	-		
		Product sales / account receivable	158,000	-	-	-		

Person(s) / Juristic Person(s) with Potential Conflict of Interest.	Relationships	Transaction Descriptions	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
			Year 2011	Year 2012	31 Dec 2011	31 Dec 2012		
							<p>had a contract with companies in Mr. Chinnakarn's network) by having companies in Mr. Chinnakarn's network as distributors according to a memorandum of understanding with regards to the trading, dated 20th July 2010 (Detail in article 11.4 of Guidelines for the prevention of conflict of interest in cases of some major shareholders do businesses in which the descriptions are of the same of the ones of the company.) The product distribution fee is a fee that is in the same class of the industry.</p> <p>Such policy will decrease the ratio of sales carried out through companies in Mr. Chinnakarn's network.</p>	
K&N Organic Herb Ltd., Part.	Shareholder is Ms. Natchapat Tantiwivat (Share holding 0.10%)	Purchase product / account payable	5,079,100	2,509,000	43,870	-	ASL purchases from K & N's Organic Herb Ltd., Part. and distributes products through ASL's distribution channels. The gross profit of product distribution is similar to other products distributed by ASL.	The transaction is normal and reasonable since it increases production and revenue for the company.
		Other income/ account receivable	53,331	42,297	9,838	15,742	K&N Organic Herb Ltd., Part. purchases the company's packaging to enclose products to be sold to ASL.	
Arun Pittaya Co., Ltd.	Shareholder and board member is Mr. Pichaet Wiriyachitra and Ms. Arunee Wiriyachitra (Total share holding 56.13%)	Rental	390,000	420,000	-	-	The transaction is for the rental fee of the ASL product distribution center in Chiang Mai. The lease had a period of three years from 1 st July 2011 to 30 th June 2014 at the rate of 35,000 Baht per month. The rate is in accordance with the market price which is similar to the rate of the commercial buildings in the neighborhood.	The transaction is reasonable and the rental price is based on market conditions.

Person(s) / Juristic Person(s) with Potential Conflict of Interest.	Relationships	Transaction Descriptions	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
			Year 2011	Year 2012	31 Dec 2011	31 Dec 2012		
		Product sales / account receivable	99,060	238,401	32,999	26,155	Arun Pittaya Co., Ltd. purchases products from the company to conduct trial experiments on those who have health problems in which the test results are reported to APCO. The sale price offered to Arun Pittaya Co., Ltd. is the same rate as that being offered to other companies in the network since such trial is considered as another channel to promote marketing for companies.	The transaction is reasonable and carried out for the benefit of the company.
Juristic body Ms. Arunee Wiriyachitra And Ms.Wipa Wittayaveroj	Board members and shareholders (Total share holding 7.67%)	Rental	138,000	156,000	-	-	The transaction is for the rental fee of the ASL product distribution center in Surat Thani. The lease had a period of three years from 1 st July 2011 to 30 th June 2014 at the rate of 13,000 Baht per month. The rate is in accordance with the market price which is similar to the rate of the commercial buildings in the neighborhood.	Transaction is reasonable. The rental price is based on market conditions.
Green to Gold Ltd., Part. Arun Pittaya Co., Ltd.	Shareholder and board member is Mr. Pichaet Wiriyachitra (Share holding 48.66%) Shareholder and board member is Mr. Pichaet Wiriyachitra and Ms.Arunee Wiriyachitra	Royalty fee in research and product development Royalty fee in research and product development	2,795,153 2,569,850	- 5,357,063	- 5,365,003	- 5,357,063	The company pays the royalty fee in research and product development for products made from Mangoesteen skin and Garcinia Cambogia developed by Mr. Pichaet Wiriyachitra in the rate of 5% of sales volume at the agreed rate which is usually paid once a year. On 23 rd September 2011, the 6th Board of Directors' meeting of 2011 approved the revisal of new contract in which the calculation of the royalty fee will not include the sale price of products in the stock at the disposal of ASL. The company will pay ArunPittaya Co., Ltd.since Greens To Gold Ordinary Part. has registered to cancel Ordinary Partnership and is valid for the royalty fee of the year 2011 onwards. Once the royalty fee	The transaction is reasonable in which the compensation is paid to Mr. Pichaet Wiriyachitra who is currently the researcher and product developer for products that the company manufactures and distributes.

Person(s) / Juristic Person(s) with Potential Conflict of Interest.	Relationships	Transaction Descriptions	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
			Year 2011	Year 2012	31 Dec 2011	31 Dec 2012		
	(Share holding 56.13%)						had been calculated in accordance with the terms of the new royalty fee , it will result in the increase of net profit. However, the products that are not included in the calculation of royalty fee include Bryte & Spryte, Ginkgo Biloba, and certain products in 7 Miracles and Jada.	
Ms.Wilawan Mahabusarakum Ms.Souwalak Phongphaichit	Shareholder (Share holding 0.15%)	Product Researching Consultant cost	240,000	480,000	-	-	<p>The company hires such persons as consultants for research and product development. The advisory fee is 10,000 Baht per person/month from March 2010 onwards until the cancelation of the contract. The rate is the same rate as in the contract the company made with other researchers. From January, 2012 the company has changed its contract of Ms.Souwaluk Phongphaichit. She is now act as the Board of Research and Development with the fee of 30,000 Baht per month until the cancelation of the contract.</p> <p>Assoc.Prof.Dr. Wilawan Mahabusarakam, lecturer at the Department of Chemistry, and Md. Assoc.Prof.Dr.Souwalak. Phongphaichit, lecturer at the Department of Microbiology, Faculty of Science, Songkla University are currently researching new products related mangoesteen.</p>	The transaction is reasonable and carried out for the benefit of the company in which such persons are specialized in the fields that are beneficial to the product development of the company.

Person(s) / Juristic Person(s) with Potential Conflict of Interest.	Relationships	Transaction Descriptions	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
			Year 2011	Year 2012	31 Dec 2011	31 Dec 2012		
Ms Ampai Panthong	Shareholder (Share holding 0.05%)	Product Researching Consultant cost	150,000	910,000	-	-	The company hires such persons as consultants for research and product development. The advisory fee is 30,000 Baht per person/month from November 2009 – December 31,2011 . In January 1, 2012, the contract has been changed to the chairperson of the company research and development section with the fee of 70,000 Baht per month until the cancelation of the contract. This rate also includes one month bonus. MD. Assoc.Prof.Dr. Ampai Panthong, lecturer at the Department of Pharmaceutical. Chiang Mai University is currently researching new products related to the mangoesteen.	The transaction is reasonable and carried out for the benefit of the company in which such persons are specialized in the fields that are beneficial to the product development of the company.
Ms. Natchapat Tantiwitwat	Shareholder (Share holding 0.10%)	Coordinator Compensation	570,000	545,000	-	-	The company made contract with Ms. Natchapat Tantiwitwat to serve as a liaison with government agencies such as the registration with Food and Drug Administration and also to coordinate for the supply of mangosteen and other plants in different regions. A monthly payment of 35,000 Baht per month will be paid until the cancellation of the contracts. This contract is carried out for the benefit of the company. Remuneration determined by the executive which is a reasonable rate based on the amount of workload and experience.	The transaction is reasonable and reduces the burden on the operations of the company. The compensation rate is the rate appropriate to the workload, contractor's experience and the benefits that the company receives.

Person(s) / Juristic Person(s) with Potential Conflict of Interest.	Relationships	Transaction Descriptions	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
			Year 2011	Year 2012	31 Dec 2011	31 Dec 2012		
Mr.Pichaet Wiriyaachitra	Board member and shareholder (Share holding 48.66%)	Guarantee hire-purchase agreement	Total financial amount 3,839,844	Total financial amount 3,839,844	Balance 2,399,902	Balance 1,439,942	Mr. Pichaet Wiriyaachitra guarantees a hire-purchase agreement of car on behalf of himself for ASL without any compensation.	The guarantee is reasonable and benefits the company since the guarantor does not receive any compensation.
Th17 (Thailand) Co.,Ltd.	Shareholding 44%	Product sales / account receivable	-	157,500	-	168,525	A joint venture company in which APCO held 44% to buy goods for cancer patients.	The transaction is normal and it will increase distribution channel of the company.

2. Measures or approval procedures for inter-company transactions

The company and its subsidiaries ensure transparency in measures or approval procedures of inter-company transactions with the principle of fairness while protecting the benefits of the company and its subsidiaries as our priority. In handling the issue with individuals who may have conflict of interest, the issue needs to be reported to the Audit committee for consideration and approval for the ultimate benefits of each transaction and also to protect investors and related parties. In dealing with such transaction, rules, regulations, requirements, orders and conditions of the Securities and Exchange Commission (SEC) or concerned laws need to be strictly followed and observed. Those who may have conflict of interest or their benefits or loss are at stake in such transaction shall have no participation in approving such transaction.

As for a normal trade transaction i.e. purchasing of a product or product selling, etc., the company has the right to set conditions and requirements in line with normal trade transaction and market prices which can be used as a reference point incurring to external parties. The company's examination committee is in charge of deliberating the issue and granting the approval as well as reporting to the company's board every quarter. The justification of the transaction will be deliberated based upon the market price including other factors such as conditions and the inevitable business impacts i.e. delivery timeline, specific characteristics of a product, etc. for the ultimate benefit of the company.

3. Tendency of future inter-company transactions

For future inter-company transactions, conditions shall be set according to normal trade characteristic by using market price and its appropriate conditions as a reference point. The company and/or its subsidiaries will have the examination committee or independent committee provide the opinion about the compensation rate and the necessity as well as the appropriateness of such transaction. Should there be a transaction processed by a person that may have conflict of interest in the future, the company will apply rules, regulations, announcement and/or requirements of SEC and/or Stock Exchange of Thailand to the case whereby the company may have independent specialists or the company's auditor provide the opinion on the transaction which will be used to support the deliberation of the committee or shareholders, depending on each case. The company shall disclose the inter-company transactions in the appendix attached to audited financial budget and publish it in the company's annual report.

4. Measures to prevent conflict of interests in the case that a major shareholder may conduct business transaction that is identical to the type of business of the company.

Mr. Chinnakarn Samalapa, Managing Director of the Company and major shareholder with 25 million shares, accounting for 12.5% of the paid-up capital of the company. He also takes position of a committee member and shareholder of businesses that may have conflict of interest with the company (referred as "Affiliate of Chinnakarn Group") as listed below

Company	Business	Registered Capital	Mr.Chinnakarn Samalapa		
			Shareholding (shares) *	Percent**	Position Holding
Samaphan Trading Co., Ltd.	Distribution of Supplement Product, Medicine, Medical Equipment and Medical Supplies	5 million Baht	12,750	25.50	Committee
Bio Nutrition Research Co., Ltd.	Manufactures of Supplement Product	5 million Baht	12,750	25.50	Authorised Signatory
Nature One Co., Ltd.	Distribution of Supplement Product	4 million Baht	5,600	14.00	Authorised Signatory
Nova-Tech Healthcare Co., Ltd.	Import and Distribution of Medicine, Medical Device	5 million Baht	5,250	10.50	Authorised Signatory

Company	Business	Registered Capital	Mr.Chinnakarn Samalapa		
			Shareholding (shares) *	Percent**	Position Holding
Nova Medic Co., Ltd.	Manufactures of Medical Device	10 million Baht	22,000	22.00	Authorised Signatory
Bio-Plus GMP Co., Ltd.	Distribution of Supplements Production	5 million Baht	7,000	14.00	Authorised Signatory
Samaphan International Co., Ltd.	Import and Distribution of Medical Device	5 million Baht	15,000	30.00	Authorised Signatory
Health Supplements Co., Ltd.	Distribution of Supplement Product, Medical Device	1 million Baht	3,000	30.00	Authorised Signatory

Note: *The value; 100 Baht per share

** Percentage of paid-up registered capital

References: <http://www.bol.co.th> and Mr. Chinnakarn Samalapa

Affiliated companies of the Chinnakarn Group operated its business in 1995 since the foundation of GG to produce and distribute food supplement products. At that time, the Chinnakarn Group purchased GG products in order to distribute in modern trade channel whereas other direct-selling companies commenced their trade through direct channels. In 1999, ASL was established as a direct distribution channel. Mr. Chinnakarn Samalapa was invited to be ASL shareholder and take the position of the Managing Director in order to separate the trade distribution channel to ensure that it would not be overlapping with the existing products that Chinnakarn Group had already handled. Later in 2005 when the company underwent a corporate restructuring, Mr. Chinnakarn became one of the APCO shareholders by default with 4.59 million shares in hand, accounting for about 4.93% of the paid-up capital worth 93 million THB. He also took up the position of the managing director and executive director.

Before the listing of APCO, the company had the objective to distribute and sell its products in other trade channels in addition to ASL direct-selling channels. The executive committee reached a joint decision to ask Mr. Chinnakarn to manage this part because of his expertise and experience. At the committee meeting 4/2011 dated 2nd July 2011 and the extraordinary shareholders meeting 2/2011 dated 30th July 2011 reached the resolution to allocating 25.41 million of ordinary shares / capital increase to Mr. Chinnakarn Samalapa. This added the share ratio held by Mr. Chinnakarn to reach 30.00 million shares, accounting for 15.00% of the company's paid-up registered capital after the public offering. The transaction was set under the joint agreement that the Chinnakarn Group would give up the selling of products from its subsidiaries for the purpose of domestic and imported trade to the direct-selling rights of APCO except for Vietnam of which the contract was previously agreed with the Chinnakarn Group and needed to be continued. In addition, Mr. Chinnakarn shall not use any insider information related to the products of the affiliated companies to sell the same type of products through a Chinnakarn Group affiliate or any products through Chinnakarn Group companies which shall be considered as an act to compete with APCO.

Hence, in order to comply with the company's practice, Mr. Chinnakarn Samalapa signed in the joint trade memorandum dated 20th July 2012 with the following conditions:

- (1) Products that Mr. Chinnakarn's affiliated company purchases from APCO for sale and distribution in Vietnam prior to this agreement will be an exclusive right of sale and distribution to Mr. Chinnakarn's affiliated company as stated in the binding contract with the rights to reserve product extension and market expansion to other countries.
- (2) Mr. Chinnakarn Samalapa agrees to provide cooperation in sale and distribution of products researched and developed by APCO through channels assigned by APCO which also falls in the area of expertise of Mr. Chinnakarn i.e. pharmacies, hospitals, Modern trade outlets etc. while APCO will remain as a direct distributor.

- (3) Chinnakarn Group and its affiliated companies shall now sell and distribute the products identical to those that APCO assigns and will not use APCO insider information to sell and distribute such products.
- (4) Mr. Chinnakarn Samalapa will seek out markets for sale and distribution of products researched and developed by APCO both in domestic and overseas markets. Should the transaction happen, the sale and distribution shall be conducted directly from APCO to consumers.

In addition, such agreement will take effect as long as Mr. Chinnakarn Samalapa assumes the position of the managing director and holds less than 10% of registered capital.

In practice, Chinnakarn Group and its affiliated companies will serve as distributor through trade channels that Mr. Chinnakarn is experienced in i.e. modern trade, pharmacies and hospitals. APCO will be the sole party who conducts marketing and distributes products directly. The distribution fee will be a comparative price to the price of the industry of the same level.

Report on the Responsibility of the Board of Directors on the Financial Report

The board of directors is responsible not only for the financial statement and the combined financial statement of Asian Phytoceuticals Public Co., Ltd. and its subsidiaries but also for the financial statement information on the annual report, which is written in adherence to the Generally Accepted Accounting Principles of Thailand. Important information is given out adequately for the benefit of the shareholders and general investors.

For this reason the board has appointed an audit committee to check and report on the financial operations of the company to the board. The opinions of the audit committee are already presented in the annual report.

The board of directors sees that the internal administration of the company is transparent and is confident that for the year end of 31st December 2012, the financial statement and combined financial statement of Asian Phytoceuticals Public Co., Ltd. and its subsidiaries are reliable and abides with auditing standards generally accepted in Thailand.

Maleeratna Plumchitchom

(Ms. Maleeratna Plumchitchom)

Chairperson of the Board

Pichaet Wiriyachitra

(Professor Dr. Pichaet Wiriyachitra)

Chairperson of the Executive Committee

Audit Committee Report

The audit committee of Asian Phytoceuticals Public Co., Ltd. is comprised of 3 members as follows:

- | | |
|--|------------------------------------|
| 1. Ms. Maleeratna Plumchitchom | Chairperson of the Audit Committee |
| 2. Associate Professor Dr.Varakorn Samakoses | Audit Committee |
| 3. Professor Dr.Praipol Koomsup | Audit Committee |

The 3 audit committee members have the qualifications required by the Stock Exchange of Thailand's qualifications and Scope of Work of the Audit Committees, 2008

In 2012, the audit committee held 4 meetings and has done their duties discreetly and employed their skills and knowledge in undertaking their duties and responsibilities independently. They have collaborated with the administrative section, internal auditors and account auditors for the benefit of the stakeholders. The summary is as follows:

1. To verify the regularity of the quarterly financial budget and the annual financial budget of the company and its subsidiaries for 2012. To provide adequate open information to ensure that the accounting system and the financial reports are done in accordance to the general accounting principles and to also provide complete and reliable information.

2. To examine the internal control system and internal audit system to ensure that the company's internal control system and internal audit system are suitable, sufficient and effective.

3. To inspect the actions of the company to ensure that it follows the guidelines determined by the law regarding property and the stock exchange, the rules and regulations of the stock exchange and other laws which is relevant to the business of the company.

4. To check the adequacy and effectiveness of the Risk Management System.

5. To ensure the company has good corporate governance in order to operate its business transparently and to disclose records that are relevant or records that might have conflicting interests.

6. To consider, nominate, appoint account auditors for the company at the same time determine and offer their compensation package to present at the shareholders' meeting for approval.

From the inspection of the internal control system, the audit committee sees that the company has a good internal control system. The financial reports are in adherence with the general accounting principles. An amount adequate of information is disclosed. Furthermore, the company has a suitable risk management system, has good corporate governance, transparent and reliable. In addition, the company continuously tries to improve and develop the effectiveness of its performances.

Maleeratna Plumchitchom

(Ms. Maleeratna Plumchitchom)

Chairperson of the Audit Committee

Financial Position and Performances

1. Financial Budget

1.1 Summary of account audit

Financial Budget for the Fiscal Year 2010 (Up to 31st December 2010)

Audited by Mr. Pradit Rodloituk, certified public accountant no. 218 from AST Master Ltd., he opined that the statement of financial position of the company and its performances are proper in accordance to the auditing standards generally accepted in Thailand. In 2010, executives of the company found out that the remaining inventory appearing in the balance sheet on 1st January, 2010 and 2009 is 4.3 Million Baht and 2.5 Million Baht respectively. This is so, as the company did not subtract the profit of the remaining inventory between the company and its subsidiaries in the combined financial statement, which makes the net profit for 2009 shown is 1.8 Million Baht. Furthermore, as of 1st January 2009 and 2010, the company recorded its net asset value, which is higher than the cost price in the exchange between the company and companies under the same control, as 2 Million Baht which lower than the actual number. The company has rectified the mistake on the financial statement in accordance to auditing standards generally accepted in Thailand and the auditor has already re-examined the revised statement, giving the opinion that it is an appropriate revised and correct statement.

Financial Budget for the Fiscal Year 2011 (Up to the 31st December 2011)

Audited by Mr. Pradit Rodloituk, certified public accountant no. 218 from AST Master Company Ltd., whose opinion is that the statement of financial position of the company and its performances has nothing to show the inappropriacy in accordance to the Generally Accepted Accounting Principles. The auditor used the revised accounting standards and new accounting standards in reporting issued by the Federation of Accounting Professions which is connected with the operations of the group of companies and is in use starting after 1st January 2011, in order to prepare and present the financial statement. There are changes in the accounting policies in the topic of financial statement presentation, accounting regarding land, buildings and equipment and accounting regarding employee benefits, which reduces the inappropriate retained earnings on 1st January, 2011 to 60.46 Million Baht and reduces the profit for the end of the fiscal year 2011 (31st December 2011) to 0.52 Million Baht.

Financial Budget for the Fiscal Year 2012 (Up to the 31st December 2012)

Audited by Mr. Pradit Rodloituk, certified public accountant no. 218 from AST Master Company Ltd., whose opinion is that the abovementioned financial statement has shown the financial position. Its performances and cash flow of Asian Phytoceuticals Public Company Limited and its subsidiaries, and only Asian Phytoceuticals Public Company Limited by 31th December 2012 in accordance to the auditing standards.

1.2 Asian Phytoceuticals Pub., Ltd., Co. Financial statement Table

Balance sheet

At the end of project from 31st December 2010 until 31st December 2012

Unit: Baht

	31 Dec 2012		31 Dec 2011		31 Dec 2010	
	Amount	Percent	Amount	Percent	Amount	Percent
Asset						
Liquid Assets						
Cash and Equivalent Items.	84,137,038	19.87	53,583,879	13.06	83,929,602	38.58
Temporary Investment	194,900,000	46.02	225,000,000	54.85		
Account Receivable – Related Parties,	7,684,351	1.81	12,425,136	3.03	1,154,403	0.53
Account Receivable – Other Company –	-	-	-	-	8,140,501	3.74
Inventories – Net	40,773,128	9.63	42,295,615	10.31	48,688,756	22.38
Account Receivable – Related parties	-	-	-	-	-	-
Account Receivable - Result of close of	-	-	-	-	10,047,181	4.62
Other Liquid Assets	2,916,762	0.69	1,634,066	0.40	1,859,994	0.86
Total Liquid Assets	330,411,279	78.01	334,938,696	81.65	153,820,437	70.71
Fixed Assets						
Fixed Deposits Pledged as Collateral.	2,903,221	0.69	2,894,024	0.71	2,890,382	1.33
Investments in Subsidiaries–Liquidation	1,037,161	0.24	-	-	-	-
Property, Building, Equipment - Net	88,078,617	20.80	71,075,321	17.33	60,129,378	27.64
Intangible Assets. – Net	575,179	0.14	522,721	0.13	408,506	0.19
Other Fixed Asset	533,359	0.13	786,300	0.19	280,130	0.13
Total Fixed Assets	93,127,537	21.99	75,278,366	18.35	63,708,396	29.29
Total Assets	423,538,816	100	410,217,062	100	217,528,833	100.00
Liabilities						
Liquid Liabilities						
Account Payable - Related Parties.	27,901,899	6.59	19,466,150	4.75	97,370	0.04
Account Payable - Another Company			-	-	2,019,620	0.93
Liabilities under Finance Lease	883,998	0.21	857,808	0.21	889,943	0.41
Short-term Loans from Related Parties.			-	-	-	-
Other Payables - Related Parties.			-	-	5,664,582	2.60
Income Accrued Expenses Tax.	8,151,366	19.2	9,632,875	2.35	7,653,187	3.52
Accrued Expenses Cost.			-	-	7,305,643	3.36
Other Liquid Liabilities	3,593,308	0.85	2,656,846	0.65	5,772,268	2.65
Total Liquid Liabilities	40,530,571	9.57	32,613,679	7.95	29,402,613	13.52
Fixed Liabilities						
Liabilities under Finance Lease - Net	469,024	0.11	1,353,022	0.33	2,198,930	1.01
Obligations for Employee Benefits.	5,195,429	1.23	4,636,802	1.13	-	-
Total Fixed Liabilities	5,664,453	1.34	5,989,824	1.46	2,198,930	1.01
Total Liabilities	46,195,024	10.91	38,603,503	9.41	31,601,543	14.53
Equity						
Legal Capital	200,000,000	47.22	200,000,000	48.75	116,250,000	53.44
Issued and Paid-up Share Capital			200,000,000	48.75	93,000,000	42.75
Premium on Share Capital	82,862,640	19.56	82,862,640	20.20		
Retained earnings are part of the	22,666,575	5.35	22,666,575	5.53	22,666,575	10.42
subsidiaries. The company's stock						
traded at a price lower than its book						
Retained Earnings - Allocated	11,391,000	2.69	8,600,000	1.73	5,678,000	2.61
Retained Earnings - Not Allocated.	60,422,668	14.27	57,484,154	14.38	64,582,511	29.69
Part of the Minority Shareholders.	909		258	0.00	204	0.00
Total Equity	377,343,792	89.09	371,613,369	90.59	173,286,202	76.66
Total Liabilities, and Equity	423,538,816	100	410,217,062	100	226,042,141	100.00

Income Statement

At the end of project from 31st December 2010 until 31st December 2012

Unit : Baht

Income Statement	2012		2011		2010	
	Amount	Percent	Amount	Percent	Amount	Percent
Total Income	294,371,900	100	295,094,795	100.00	257,964,388	100.00
Main Income	285,959,033	97.14	290,747,029	98.53	255,693,422	99.12
Marketing Cost	46,607,991	16.30	53,256,024	18.32	48,826,136	18.93
Gross Profit. *	239,351,042	83.70	237,491,005	81.68	206,867,286	80.90
Profit from Liquidation of Subsidiaries.	-	-	-	-	3,340,481	1.29
Other Income	8,412,867	2.86	4,347,766	1.47	2,270,966	0.88
Cost of Selling.	125,242,602	42.55	130,564,192	44.24	111,707,416	43.30
Cost of Management	50,456,197	17.14	39,937,133	13.53	36,074,469	13.98
Share of Loss from Associates.	62,839	0.02	-	-	-	-
Profit from Operating Activities.	72,002,271	24.46	71,337,446	24.17	64,696,848	25.08
Cost of Funds.	165,194	0.06	221,774	0.08	139,228	0.05
Gain (Loss) before the Corporate Income Tax.	71,837,077	24.40	71,115,672	24.10	64,557,620	25.03
Corporate income tax.	16,107,496	5.47	20,955,809	7.10	20,296,457	7.87
Net Profitable	55,729,581	18.93	50,159,863	17.00	44,261,163	17.16

Basic earnings per share. (Baht)

0.28

0.40

0.48

Note: * Percentage of gross profit is calculated from the value of gross profit divided by main income from product sales (excluding other income) which is consistent with the gross profit ratio disclosed in the ratio of key financial.

Cash Flow Statement

At the end of project from 31st December 2010 until 31st December 2012

Unit: Baht

Cash Flow Statement	Total Financial Statement		
	2012	2011	2010
Cash Flows from Operating			
Gain (Loss) before the corporate income tax.	71,837,077	71,115,672	64,557,620
Adjustment to reconcile net income to net cash provided by (used for) operating			
Doubtful loss debt		-	75,184
Loss on impairment of investments, and damaged products	(238,915)	1,361,751	1,487,683
Profit from liquidation of subsidiaries.		-	(3,340,481)
Loss (gain) from selling equipment	(4,103)	(383,242)	(744,176)
Depreciation price	7,482,187	6,339,455	6,899,807
The distribution of intangible assets.	121,903	95,658	86,674
Interest expense.	165,194	221,774	139,228
Share of loss from associated companies.	62,839	-	-
Estimate liabilities from employee benefit	558,627	520,670	-
Gain (loss) from operations before changes in operating assets and liabilities.	79,984,809	79,271,738	69,161,539
Operation Asset (Increase) Decrease			
Account receivable – Related parties.	4,740,785	(2,362,041)	361,181
Account receivable – Another Company		-	8,903,001
Inventories	1,761,402	5,031,390	(1,419,289)
Other account receivable - Related parties, and Company		-	317,484
Other liquid assets	(1,282,696)	(354,222)	279,375
Other fixed assets		-	(99,300)
Operation Asset (Increase) Decrease	152,941	(506,170)	8,342,452
Liabilities for operation increase (decrease)			
Account payable – Associate Business	4,775,749	(2,406,445)	97,370
Account payable – Other companies		-	(448,886)
Other Staff - Associate business		-	(1,731,493)
Accrued liabilities		-	(2,728,995)
Other liquid liabilities	936,432	(1,143,000)	(119,649)
Liabilities for operation increase (decrease)		0	0
Cash receive (pay) from operation	91,069,422	82,344,140	72,572,338
Interest payment	(165,194)	(221,774)	(139,228)
Income tax payment	(17,589,005)	(19,164,162)	(31,304,805)
Net cash provided by (used in) operating activities.	73,315,223	62,958,204	41,128,305
Cash Flows from Investing			
Short-term investments increased.	30,100,000	(225,000,000)	
Fixed deposits pledged as collateral increase (decrease).	(9,197)	(3,642)	(200,947)
Cash received from liquidation of subsidiaries.		10,047,181	
Cash paid for investments in subsidiaries.		-	-
Cash paid for investments in associates.	(1,100,000)		
Cash received from sale of equipment.	4,112	847,622	751,729
Cash paid for purchase of buildings and equipment.	(20,725,492)	(17,749,778)	(3,917,437)
Cash paid for purchase of intangible assets.	(174,361)	(209,873)	(26,000)
Net Cash Provided by (used in) Investment Activities.	8,095,062	(232,068,490)	(3,392,655)
Cash Flows from Financing			
Increase (decrease) of liabilities under finance leases.	(857,808)	(878,043)	(138,158)
Increase (decrease) in long-term debt payment due in one year.	750	-	-
Cash received of the issuance of common stock.	-	197,000,000	
Cash paid for the costs of distribution shares.	-	(7,137,360)	
Short-term loan from association parties		-	(8,000,000)
Dividends paid to minority shareholders.		-	(75)
Dividends paid	(50,000,000)	(50,220,000)	(31,620,000)
Dividends paid to minority shareholders.	(68)	(34)	
Net Cash Flows Provided by (used in) Financing Activities.	(50,857,126)	138,764,563	(39,758,233)
Cash and Cash Equivalents Increase (Decrease) - net.	30,553,159	(30,345,723)	(2,022,583)
Cash and Cash Equivalents at Beginning of Period.	53,583,879	83,929,602	85,952,185
Cash and Cash Equivalents at End of Period.	84,137,038	53,583,879	83,929,602

Importance Finance Ratio

At the end of project from 31st December 2010 until 31st December 2012

Finance Ratio		2012	2011	2010
Current Ratio.				
Current Ratio.	(Time)	8.15	10.27	5.23
Acid Test Ratio	(Time)	7.15	8.97	3.17
Current Cash Flow Ratio.	(Time)	2.08	1.64	1.00
Account Receivable Turnover	(Time)	28.44	27.71	18.59
Average Collection Period	(Days)	13	13	20
Inventory Turnover	(Time)	1.12	1.17	
Average selling product Period	(Days)	326	312*	360
Account Payable Turnover	(Time)	33.12	28.37	21.30
Payment Period	(Days)	11	13	17
Cash Cycle	(Days)	315	299	363
Profitability Ratio				
Gross Profit Margin	(%)	83.70	81.68	78.69
Operating Profit Margin	(%)	25.12	24.46	25.30
Cash Per Profitability Ratio	(%)	117.12	75.35	63.57
Net Profit Margin	(%)	19.49	17.25	17.16
Return On Equity	(%)	27.87	25.08 *	47.59
Efficiency Ratio				
Rate of Assets	(%)	13.16	12.23	19.96
Rate of Fixed Assets	(%)	75.22	81.44	76.39
Rate of Asset Turnover	(Time)	0.69	0.93	1.16
Financial Ratio				
Rate of Liability per Shareholder	(Time)	0.12	0.10	0.17
Rate of Commitment Payment				
Efficiency	(Time)	0.92	0.65	1.16
Dividend Payout	(%)	100	100	71.44
Rate of Fully Reduced Net Profit per Share. **	(Baht)	0.28	0.25	0.22

Note : * Calculate in year unit

** Calculate from registration capital 200 million shares. Value per share:1 Baht

2. Financial Status and Performance Description and Analysis

2.1 Overall of previous performance

APCO manufactures and sells cosmetics and food supplements developed and researched by the company itself. The products are sold mainly through direct selling and are distributed in many countries such as the Middle Eastern countries and Southeast Asian countries. The important factor to the growth in APCO's revenue is the innovative products from the company's research that are in demand in the market.

Right now, APCO is aiming to focus on researching and developing its food supplement products as the tendency of the market is positive and the executives expect repeated and continuous purchase from the customers of these products who are confident in the merchandise. This angle could potentially enhance the security of the revenue base. Moreover, the Operation "BIM" line has been continuously increasing in popularity since it was launched in 2008 and can be expanded into several new products.

2.2 Performance analysis

Revenue

The total revenue of APCO from 2010 to 2012 amounted to 257.96, 295.09 and 294.37million Baht respectively.

In 2012, the company has the revenues of 285.96 million Baht from selling its products and 8.41 million Baht from other revenues, which is about 4.07 million Baht more than in 2011 due to the interest from the short term Bill of Exchange.

This sales revenue consists of two main parts of products manufacturing and selling: beauty products and food supplements. The sales revenue structure of the years 2010 through 2012 by products is as follows:

Unit: Million Baht

Sales Revenue Structure	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
Beauty Products	76.00	26.56	95.74	33.00	100.29	39.22
Food Supplements	209.95	73.42	195.00	67.07	155.40	60.78
Total Sales Revenue	285.96	100.00	290.75	100.00	255.69	100.00

APCO's sales revenue from 2010 to 2012 amounted to 255.69, 290.75 and 285.96 million Baht respectively. The revenue for supplementary products has been increased yearly, about 25.48% and 7.67% in the year 2011 and 2012 respectively.

Thus, the company intends to place importance on food supplements to be consistent with the industrial tendency and the increasing number of the target group, which consists of the middle-aged to the elderly.

Sales Cost and Preliminary Profits

The company's sales cost from 2010 to 2012 was 48.83, 53.26 and 46.61 million Baht respectively, amounting to the preliminary profits of 80.90%, 81.68 and 83.70% respectively. The preliminary profits rate of 2012 was relatively higher than the previous years because the sales of products with high profits rates were high.

Sales and Administration Expenditures

The expenditures of sales in 2010 through 2012 amounted to 111.71, 130.56 and 125.24 million Baht respectively, accounting for 43.30%, 42.24% and 42.55% of total revenue respectively. The important factor that affects the proportion of sales expenditures of the company is the channel of distribution. Direct selling requires high commission and promotional cost in comparison with other channels. Moreover, the expenditures include research fund and product development which has increased in number.

The expenditures spent in administration (including returns for board members and executives) from 2010 to 2012 amounted to 36.07, 39.93 and 50.46 million Baht respectively, accounting for 13.98%, 13.53% and 17.14% of total revenue respectively. The important administrative expenditures included spending on executives and employees such as salary, bonus and contributions to funds. Other administrative expenditures such as depreciation cost, public utility, fees and services are mostly stable.

Net Profits

APCO received the net profits for 2010 through 2012 in the amount of 44.26, 50.16 and 55.73 million Baht respectively, accounting for 17.16%, 17.00% and 18.93% respectively. In 2012, the company's net profits had a growth rate of 11.10% compared to the same period of the previous year. The main cause came from the rising proportion of gross profit and the interest from the short term Bill of Exchange. Nevertheless, in the future, APCO plans to expand overseas marketing, which could potentially improve the rate of net profits.

2.3 Financial status analysis

Assets

At the end of the years 2010 to 2012, APCO's total assets amounted to 217.53, 410.22 and 423.54 million Baht respectively, accounting for the growth rates of (3.77%), 88.58% and 3.25% respectively. The main cause of the significant expansion of total assets in 2010 was due to the rise of additional equity in 2011.

In 2012, the company has total assets increasing from the previous year about 13.32 million Baht due to the purchase of the building for the Chonburi branch.

The current assets at the end of the years 2010 through 2012 amounted to 153.82, 334.95 and 330.41 million Baht respectively, accounting for 70.71%, 81.65% and 78.01% of total assets respectively. The company's current assets include the following important assets:

(1) APCO's cash and the equivalent at the end of 2010 through 2012 amounted to 83.93, 53.58 and 84.14 million Baht respectively, accounting for 38.58%, 13.06% and 19.87% of total assets respectively. The company's cash and the equivalent increased continuously as a result of the profits. In 2012, the cash has been increased due to the end date of the short term Exchange Bill of 30.1 million Baht, accounted to 13.38%

(2) The net number of business debtors at the end of 2010 through 2012 amounted to 9.29, 12.43 and 7.68 million Baht respectively, accounting for 4.27%, 3.03% and 1.81% of total assets respectively, decreasing from the previous year 4.74 million Baht, accounted per 38.15%

Liquidity

(1) Cash flow from the company's operations in 2010 through 2012 remained constantly positive, amounting to 41.13, 62.96 and 73.32 million Baht respectively. This stemmed from continuous net profits of the company. The cash flow from investments in 2010 through 2012 amounted to (3.39), (232.07) and 8.10 million Baht respectively. In 2011 in which investments were short-term. The cash flow from fund raising events in 2010 through 2012 amounted to (39.76), 138.77 and (50.86) million Baht respectively. In 2010 and 2011, APCO paid for dividends in the amount of 31.62 and 50 million Baht respectively, causing the negative trend in the cash flow from fundraising events. Moreover, in 2010, the company paid for loans taken from related individuals in the amount of 8.00 million Baht, whereas in 2011, there was an increase in capital and introduction into the MAI stock market, increasing the net capital in the amount of 189.86 million Baht, settling the cash flow from fundraising events in the positive area.

(2) Liquidity Ratio

From 2010 – 2012, APCO's liquidity amounted to 5.23, 10.27 and 8.15 times, which is considered high as the company maintains a huge amount of cash from operation. However, in considering the cash flow of the company, it can be seen that the cash flow has a long period. From 2009 to 2011, the company's cash flow is 277, 360 and 290 days respectively. The main cause was the storage of agricultural raw materials and processed materials in vast amount enough for no lower than 1 year of manufacturing. However, the company still has enough liquidity to manage the long cash flow, enabling the company to manage without loans from financial institutions.

Capital Sources

At the end of 2010 through 2012, APCO had the total debts of 31.60, 38.60 and 46.20 million Baht respectively. The company does not take out any loans from financial institutions as it has enough liquidity for internal flow. Therefore, virtually all of the company's debts were in the form of current debts, which amounted to 29.40, 32.61 and 40.53 million Baht respectively. The company's current debts include:

- (1) Business creditors and other creditors at the end of 2011 through 2012 amounted to 19.47 and 27.90 million Baht respectively, with the average period of debt payment of 13 days and 11 days respectively.
- (2) Other creditors, referring to the copy right fees that the company owed to the Arun Pittaya Co.,Ltd.
- (3) Unpaid expense and other current debts at the end of 2010 through 2012 amounted to 20.73, 24.73 and 12.29 million Baht respectively, mostly consisting of unpaid taxes and unpaid commissions.

The company's non-current debts are mainly from financial rental contracts, which are the rental of cars for operation and executives use. As of 31st March 2012, APCO had non-current debts resulting from the commitment to employees' benefits in the amount of 5.20 million Baht. This figure is an estimation of the compensation for employees after leaving the job and pension according to the Labor Protection Act 1998 (B.E. 2541) regarding giving benefits once retired and other long-term benefits for employees according to rights and employment period, stated in the Accounting Standards 19, enforced in 2011.

APCO's shareholders at the end of 2010 through 2012 amounted to 185.93, 371.61 and 377.34 million Baht respectively. The company's paid registered capital is 200 million Baht and also has accumulated profits from sub companies. These profits came from the stock holding structure in 2005, in which all sub companies were merged under APCO by trading stocks in lower prices than stated on the account of the sub companies on the trade day. This made APCO aware of the sub companies' accumulated profits in the amount of 22.67 million Baht. Thus, APCO's accumulated profits at the end of 2010 through 2012 amounted to 70.26, 66.08 and 71.81 million Baht respectively, and the company paid for dividends in 2010 and 2011 in the amount of 31.62 and 50 million Baht.

The ratio of debts to shareholders at the end of 2010 through 2012 amounted to 0.17, 0.10 and 0.12 times respectively, which is considered rather low and consistent to the fact that the main capital sources of the company are from the shareholders, causing low financial risk and high liquidity.

Compensation for Auditor

The company's financial capital has been audited and examined by Mr. Pradit Rodloytuk, an auditor with the license no. 218 with AST Master Co., Ltd. The cost for 2012 amounted to approximately 1,110,000 Baht, and the company did not offer any other non-audit fees to AST Master Co., Ltd.

Significant Financial Changes after 31st December 2012

After 31st December 2012, there were important financial changes which are:

(1) Dividend Payment Announcement

The company will announce the names of shareholders eligible for dividends (Record Date) on 7th May 2013, and will halt the share transfer registrar on 8th May 2013, to determine the rights to receiving the dividends for the rate of 0.27 Baht per share on 22th May 2013, in the amount of 54 million Baht. The payment of dividends affects the accumulated profits in the part of the shareholders and the value in the company's account on December 31st, 2012, as follows:

	On 31 st Dec 2012	Post-Dividends Payment in May 2013
Accumulated Profits (Million Baht)	71.81	approximately 41.31
Main Company Shareholders' Share (Million Baht)	377.34	approximately 346.84
Accounting Value per Share (Baht)	1.89	approximately 1.73

2.4 Factors that may affect APCO's performance or financial status in the future

Effects from Change in Channels of Distribution

Channels of distribution are an important factor affecting the company's performance. Direct selling effects more sales cost than other methods as there is commission cost to sales representatives and high promotional activities. However, APCO will use the money gained from raising additional equity expand the distribution channel to Modern trade, as well as expand the branches overseas. These methods are expected to increase the proportion of sales from other channels than direct selling and improve the net profits in the future.

Independent Auditor's Report

Attention: Board of Directors and Shareholders of Asian Phytochemicals Public Co., Ltd.

I have audited the accompanying consolidated financial statements of **Asian Phytochemicals Public Company Limited and its subsidiaries**, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated 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, and have also audited the separate financial statements of **Asian Phytochemicals Public Company Limited** for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is 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 evidence 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 entity'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 the financial statements.

I believe that the audit evidence 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 of **Asian Phytochemicals Public Company Limited and its subsidiaries** and of **Asian Phytochemicals Public Company Limited** as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

PRADIT RODLOYTUK

Certified Public Accountant

Registration No. 218

Ast Master Co.,Ltd.

20 February 2013

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
<u>ASSETS</u>	<u>Notes</u>	2012	2011	2012	2011
CURRENT ASSETS					
Cash and cash equivalents	6	84,137,038	53,583,879	9,937,409	9,768,714
Short - term investments	7	194,900,000	225,000,000	179,900,000	200,000,000
Trade and other receivables	8	7,684,351	12,425,136	10,373,336	13,308,148
Current portion of long-term loan to subsidiary	9	-	-	3,000,000	-
Inventories	10	40,773,128	42,295,615	31,374,678	32,028,129
Accrued dividend	5.2	-	-	42,718,902	29,999,932
Other current assets		2,916,762	1,634,066	2,310,520	654,758
Total current assets		330,411,279	334,938,696	279,614,845	285,759,681
NON - CURRENT ASSETS					
Deposits pledged as collateral	11	2,903,221	2,894,024	403,221	394,024
Investments in subsidiaries	12	-	-	54,499,130	53,999,880
Investment in associate	13	1,037,161	-	1,100,000	-
Long - term loan to subsidiary	9	-	-	12,000,000	-
Property, plant and equipment	14	88,078,617	71,075,321	17,268,394	18,117,718
Intangible assets		575,179	522,721	102,949	49,437
Other non current assets		533,359	786,300	370,230	328,271
Total non - current assets		93,127,537	75,278,366	85,743,924	72,889,330
TOTAL ASSETS		423,538,816	410,217,062	365,358,769	358,649,011

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

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2012

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
LIABILITIES AND SHAREHOLDERS'					
EQUITY	Notes	2012	2011	2012	2011
CURRENT LIABILITIES					
Trade and other payables	16	27,901,899	19,466,150	4,931,821	6,389,404
Current portion of liabilities under finance lease contracts	17	883,998	857,808	-	41,278
Accrued income tax		8,151,366	9,632,875	1,711,583	-
Other current liabilities		3,593,308	2,656,846	616,975	395,994
Total current liabilities		40,530,571	32,613,679	7,260,379	6,826,676
NON - CURRENT LIABILITIES					
Liabilities under finance lease contracts	17	469,024	1,353,022	-	-
Employee benefit obligations	18	5,195,429	4,636,802	4,516,813	4,053,823
Total non - current liabilities		5,664,453	5,989,824	4,516,813	4,053,823
Total Liabilities		46,195,024	38,603,503	11,777,192	10,880,499
SHAREHOLDERS' EQUITY					
Share capital - Common shares, Baht 1 par value					
Authorized shares 200,000,000 shares	19	200,000,000	200,000,000	200,000,000	200,000,000
Issued and paid - up shares 200,000,000 shares		200,000,000	200,000,000	200,000,000	200,000,000
Premium on share capital		82,862,640	82,862,640	82,862,640	82,862,640
Retained earnings of subsidiaries arising as a result of the Company swapping shares of subsidiaries at a price lower than the net book value of the subsidiaries at the acquisition date		22,666,575	22,666,575	-	-
Retained earnings					
Appropriated for legal reserve	20	11,391,000	8,600,000	11,391,000	8,600,000
Unappropriated		60,422,668	57,484,154	59,327,937	56,305,872
Total parent 's equity		377,342,883	371,613,369	353,581,577	347,768,512
Non-controlling interests		909	190	-	-
Total shareholders' equity		377,343,792	371,613,559	353,581,577	347,768,512
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		423,538,816	410,217,062	365,358,769	358,649,011

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Sales	285,959,033	290,747,029	70,380,927	80,865,733
Costs of sales	(46,607,991)	(53,256,024)	(34,269,791)	(41,396,274)
Gross profit	239,351,042	237,491,005	36,111,136	39,469,459
Dividened income	-	-	42,718,902	43,017,898
Other income	8,412,867	4,347,766	11,346,969	3,021,642
Profit before expenses	247,763,909	241,838,771	90,177,007	85,508,999
Selling expenses	(125,242,602)	(130,564,192)	(6,582,429)	(5,629,071)
Administrative expenses	(50,456,197)	(39,937,133)	(23,982,054)	(17,188,130)
Total Expenses	(175,698,799)	(170,501,325)	(30,564,483)	(22,817,201)
Profit before share of profit loss from investment				
in associate, finance cost and income tax expenses	72,065,110	71,337,446	59,612,524	62,691,798
Share of loss from investment in associate	(62,839)	-	-	-
Profit before finance costs and income tax	72,002,271	71,337,446	59,612,524	62,691,798
Finance costs	(165,194)	(221,774)	(3,966)	(11,899)
Profit before income tax	71,837,077	71,115,672	59,608,558	62,679,899
Income tax	(16,107,496)	(20,955,809)	(3,795,493)	(4,294,272)
Profit for the year	55,729,581	50,159,863	55,813,065	58,385,627
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	55,729,581	50,159,863	55,813,065	58,385,627
Total comprehensive income attributable to				
Equity holders of the parent	55,729,514	50,159,774	55,813,065	58,385,627
Non-controlling interests	67	89	-	-
	<u>55,729,581</u>	<u>50,159,863</u>	<u>55,813,065</u>	<u>58,385,627</u>
Basic earnings per share				
Profit attributable to equity holders of the parent	<u>0.28</u>	<u>0.40</u>	<u>0.28</u>	<u>0.47</u>
The weighted average number of common shares (Shares)	<u>200,000,000</u>	<u>124,936,986</u>	<u>200,000,000</u>	<u>124,936,986</u>

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

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

In Baht

		Parent's shareholders' equity								
		<div> <div>Retained earnings of subsidiaries arising as a result of the Company swapping shares of subsidiaries at a price</div> <div>Retained earnings</div> </div>								
		Issued and Paid - up	Premium on share capital	lower than the net book value of the subsidiaries at the acquisition date	Appropriated for legal reserve	Unappro-priated	Other components of equity	Total equity of the parent	Non-controlling interests	Total
	Notes	Share Capital	capital		reserve					
Balance as at 1 January 2011		93,000,000	-	22,666,575	5,678,000	60,466,380	-	181,810,955	203	181,811,158
Increase in share capital	19	107,000,000	82,862,640	-	-	-	-	189,862,640	-	189,862,640
Dividends	21	-	-	-	-	(50,220,000)	-	(50,220,000)	(102)	(50,220,102)
Increase in legal reserve	20	-	-	-	2,922,000	(2,922,000)	-	-	-	-
Total comprehensive income for the year		-	-	-	-	50,159,774	-	50,159,774	89	50,159,863
Balance as at 31 December 2011		200,000,000	82,862,640	22,666,575	8,600,000	57,484,154	-	371,613,369	190	371,613,559
Balance as at 1 January 2012		200,000,000	82,862,640	22,666,575	8,600,000	57,484,154	-	371,613,369	190	371,613,559
Additional investment in subsidiary	12	-	-	-	-	-	-	-	750	750
Dividends	21	-	-	-	-	(50,000,000)	-	(50,000,000)	(98)	(50,000,098)
Increase in legal reserve	20	-	-	-	2,791,000	(2,791,000)	-	-	-	-
Total comprehensive income for the year		-	-	-	-	55,729,514	-	55,729,514	67	55,729,581
Balance as at 31 December 2012		200,000,000	82,862,640	22,666,575	11,391,000	60,422,668	-	377,342,883	909	377,343,792

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

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

		In Baht					
	Notes	Issued and Paid - up Share Capital	Premium on share capital	Retained earnings		Other components of equity	Total
				Appropriated for legal reserve	Unappro- priated		
Balance as at 1 January 2011		93,000,000	-	5,678,000	51,062,245	-	149,740,245
Increase in share capital	19	107,000,000	82,862,640	-	-	-	189,862,640
Dividends	21	-	-	-	(50,220,000)	-	(50,220,000)
Increase in legal reserve	20	-	-	2,922,000	(2,922,000)	-	-
Total comprehensive income for the year		-	-	-	58,385,627	-	58,385,627
Balance as at 31 December 2011		200,000,000	82,862,640	8,600,000	56,305,872	-	347,768,512
Balance as at 1 January 2012		200,000,000	82,862,640	8,600,000	56,305,872	-	347,768,512
Dividends	21	-	-	-	(50,000,000)	-	(50,000,000)
Increase in legal reserve	20	-	-	2,791,000	(2,791,000)	-	-
Total comprehensive income for the year		-	-	-	55,813,065	-	55,813,065
Balance as at 31 December 2012		200,000,000	82,862,640	11,391,000	59,327,937	-	353,581,577

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

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before income tax	71,837,077	71,115,672	59,608,558	62,679,899
Adjustments to reconcile profit to net cash provided by operating activities				
Allowance for obsolescence of inventories (reversal)	(238,915)	1,361,751	(71,551)	1,519,282
Dividends income	-	-	(42,718,902)	(43,017,898)
(Gain) loss on disposal of equipment	(4,103)	(383,242)	-	6,565
Depreciation	7,482,187	6,339,455	2,760,287	2,669,827
Amortization of intangible assets	121,903	95,658	16,488	6,656
Share of loss from investments in associated company	62,839	-	-	-
Provisions for employee benefit obligations	558,627	520,670	462,990	431,938
Interest expenses	165,194	221,774	3,966	11,899
Profit from operating activities before change in operational assets and liabilities	79,984,809	79,271,738	20,061,836	24,308,168
Decrease (Increase) in operating assets				
Trade and other receivables	4,740,785	(2,362,041)	2,934,812	743,729
Inventories	1,761,402	5,031,390	725,002	6,334,934
Other current assets	(1,282,696)	(354,222)	(1,655,762)	(428,978)
Other non current assets	152,941	(506,170)	(41,959)	-
Increase (Decrease) in operating liabilities				
Trade and other payables	4,775,749	2,406,445	(1,457,583)	(1,521,834)
Other current liabilities	936,432	(1,143,000)	220,981	(2,152,921)
Cash received from operations	91,069,422	82,344,140	20,787,327	27,283,098
Interest paid	(165,194)	(221,774)	(3,966)	(11,899)
Income tax paid	(17,589,005)	(19,164,162)	(2,083,910)	(6,866,209)
Net cash provided by operating activities	73,315,223	62,958,204	18,699,451	20,404,990

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

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in fixed deposits pledged as collateral	(9,197)	(3,642)	(9,197)	(3,642)
Cash paid for investment in a subsidiary	-	-	(499,250)	-
Cash paid for investment in associate	(1,100,000)	-	(1,100,000)	-
Proceeds from the liquidation of a subsidiary	-	10,047,181	-	10,047,181
Decrease(increase) in short - term investments	30,100,000	(225,000,000)	20,100,000	(200,000,000)
Increase in long-term loans to a subsidiary	-	-	(15,000,000)	-
Proceeds from dividend income (<i>Supplementary information 1</i>)	-	-	29,999,932	13,017,966
Proceeds from disposal of equipment	4,112	847,622	-	6,313
Cash paid for acquisition of property, plant and equipment (<i>Supplementary information 2</i>)	(20,725,492)	(17,749,778)	(1,910,963)	(3,592,417)
Cash paid for acquisition of intangible assets	(174,361)	(209,873)	(70,000)	(31,874)
Net cash provided by (used in) investing activities	8,095,062	(232,068,490)	31,510,522	(180,556,473)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of liabilities under finance lease contracts	(857,808)	(878,043)	(41,278)	(123,833)
Proceeds from non-controlling interest of the subsidiary for investing in the subsidiary's share capital	750	-	-	-
Cash received from increase in share capital	-	197,000,000	-	197,000,000
Cash paid for cost of share subscription	-	(7,137,360)	-	(7,137,360)
Dividends paid	(50,000,000)	(50,220,000)	(50,000,000)	(50,220,000)
Dividend paid to non-controlling interest of the subsidiaries	(68)	(34)	-	-
Net cash provided by (used in) financing activities	(50,857,126)	138,764,563	(50,041,278)	139,518,807
Net increase (decrease) in cash and cash equivalents	30,553,159	(30,345,723)	168,695	(20,632,676)
Cash and Cash Equivalents, Beginning of year	53,583,879	83,929,602	9,768,714	30,401,390
Cash and Cash Equivalents, End of year	84,137,038	53,583,879	9,937,409	9,768,714

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

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Supplement Disclosures of Cash Flows information</u>				
1. Proceeds from dividend income				
Dividend income	-	-	42,718,902	43,017,898
Accrued dividend	-	-	(12,718,970)	(29,999,932)
Proceeds from dividend income	-	-	29,999,932	13,017,966
2. Cash paid for acquisition of property, plant and equipment				
Acquisition of property, plant and equipment during the year	(24,485,492)	(17,749,778)	(1,910,963)	(3,592,417)
Decrease in advances for purchases of property, plant and equipment	100,000	-	-	-
Increase in payable from acquisition of assets	3,660,000	-	-	-
Cash paid for acquisition of property, plant and equipment	(20,725,492)	(17,749,778)	(1,910,963)	(3,592,417)

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

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

Asian Phytoceuticals Public Company Limited “the Company” is a public company limited on 12 July 2005. The Company is engaged in business of research and development, manufacturing and distribution of its products for health and natural beauty. The Company is located at 84/3 Moo 4 Highway No.11 Road, Banklang, Muang Lamphun, Lamphun.

The Company was listed on the Stock Exchange of Thailand on 4 November 2011 and the Company’s stocks were traded on the MAI (Market for Alternative Investment).

2. BASIS FOR CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS PREPARATION

The consolidated and separate financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547 and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The consolidated and separate financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The consolidated financial statements relate to Asian Phytoceuticals Public Company Limited and subsidiaries (together referred to as the “the Group”). Details of the Company’s subsidiaries are as follows:

	Percentage of Holding		Activities
	2012	2011	
Green Gold Company Limited	99.99	99.99	Manufacturing and Distribution of dietary supplement from herb
Asian Life Company Limited	99.99	99.99	Retailing and Direct Selling of natural cosmetics and skin care products
TH17 GLOBAL Company Limited	99.85	-	Coordination and Distribution for APCO's products

In September 2012, the Company invested in 99,850 ordinary shares of TH17 GLOBAL Company Limited at a price of Baht 5 per share, for a total of Baht 0.5 million (50 percent paid up), which registered its incorporation with the Ministry of Commerce on 6 September 2012. The Company’s investment represents 99.85 percent of the registered capital of such company.

The significant transactions between the Company and its subsidiaries have been eliminated in the consolidated financial statements.

Non-controlling interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated statement of comprehensive income and within shareholders’ equity in the consolidated statement of financial position.

The excess of book value of net assets acquired in subsidiaries under common control over the price at which they were exchanged is presented in shareholders' equity in the consolidated statement of financial position under the caption "Retained earnings of subsidiaries arising as a result of the Company swapping shares of subsidiaries at a price lower than the net book value of the subsidiaries at the acquisition date".

For the convenience of the user, an English translation of the financial statements has been prepared from the financial statements that are issued in the Thai language.

3. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEARS NOT YET EFFECTIVE

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. In 2013 the effect of the adoption to the financial statements of the Group will be to decrease profit for the year 2012 by Baht 0.03 million and increase brought-forward retained earnings of the year 2012 by Baht 1.7 million (separate financial statements : increase profit for the year 2012 by Baht 0.01 million and increase brought-forward retained earnings of the year 2012 by Baht 1.4 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555-34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The management of the Company is evaluating the first-year impact to the financial statements of the accounting treatment guidance and accounting standard interpretations and has yet to reach a conclusion.

4. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below;

4.1 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

Deposits at financial institutions that are restricted in use are presented as “Fixed deposits pledged as collateral” under non - current assets in the statement of financial position.

4.2 Trade accounts receivable

Trade accounts receivable are carried at original invoice amount less allowance for doubtful account receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debt is written off to the statement of income during the year in which they are identified and it is a part of administrative expenses.

4.3 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow moving and defective inventories.

4.4 Investments

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Investments in subsidiaries are reported by using the cost method of accounting in the separate financial statements.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognized as income or expenses in the income statement.

Associate

Associate is entity in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investment in associate is accounted for in the consolidated financial statements using the equity method (equity-accounted investees) and is recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of profit or loss from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Investment in associate is reported by using the cost method of accounting in the separate financial statements.

4.5 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. All assets except for land are stated at historical cost less accumulated depreciation.

Depreciation of plant and equipment is calculated on the straight line method over their estimated useful lives are as follows:

Land improvement	10	years
Building and improvement	5-20	years
Machinery and equipment	10	years
Tools	5-10	years
Office equipment	3-10	years
Vehicles	5-10	years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset and the amount obtainable from the sale of the asset less any costs of disposal.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

When assets are sold or retired, the Group will eliminate their costs and accumulated depreciation from the accounts and any gain or loss resulting from their disposal is included in the statements of income.

4.6 Impairment of assets

The Group reviewed the impairment of land building and equipment whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount. the Group recognize the impairment losses in the statements of income and a reversal of impairment loss is recognized as income when there is an indication that the expected recoverable amount is higher than the amount recognized provided that such a reversal should not exceed the carrying amount that would have been determined (net of amortization and depreciation) had no impairment loss been recognized for the asset in prior periods.

4.7 Intangible assets and amortization

Intangible asset is computer software which is stated at historical cost and amortized using the straight line method over its useful live of 10 years.

4.8 Accounting for leases - where a company is the lessee

Leases of assets which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the assets.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the less or) are charged to the statement of income on a straight-line basis over the period of the lease.

4.9 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

4.10 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Company, its subsidiaries and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Group. The fund's assets are held in a separate trust fund and the Group contributions are recognised as expenses when incurred.

Defined benefit plans

The Group have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

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

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit or loss.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

4.11 Revenue recognition

The Group recognized sales as income when delivery has taken place and transfer of risks and rewards has been completed.

Dividend income recognized when the right to receive is established.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

4.12 Foreign currency transactions

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the statements of income.

4.13 Income tax

The Group record income tax based on the actual amount currently payable according to the Revenue Code.

4.14 Basic earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of paid-up common shares during the years.

4.15 Financial instruments

Financial assets carried on the statements of financial position include cash and cash equivalents, trade accounts receivable, deposits pledged as collateral. Financial liabilities carried on the statements of financial position include, trade accounts payable, financial lease liabilities, accrued income tax and accrued expenses and other payable. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.16 Significant accounting judgements and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Leases

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

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for net realizable value

The Group considers the allowance for net realizable value based on the estimate of selling price in the ordinary course of business and normal condition of inventory. The net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

4.17 Related person and companies

Persons and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personal, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

5. TRANSACTIONS WITH RELATED PARTIES

5.1 Relationship and pricing policies

	Relationship
Subsidiaries	
Green Gold Co., Ltd.	Shareholding by the Company and directorship
Asian Life Co., Ltd.	Shareholding by the Company and directorship
TH17 GLOBAL Co., Ltd.	Shareholding by the Company and directorship
Associate	
Th17 (Thailand) Co., Ltd.	Shareholding by the Company
Related companies	
Bio Nutrition Research Co., Ltd.	Common shareholders and directorship
Samaphan Trading Co., Ltd.	Common shareholders and directorship
SP Bioactive Co., Ltd.	Common shareholders and directorship
Greens to Gold Partnership	Common shareholders and directorship
Arun Pitaya Co., Ltd.	Common shareholders and directorship
BIM Worldnetwork Co., Ltd.	Common shareholders and directorship
K&N Organic Herb Limited Partnership	Partner of the partnership was shareholder

Pricing policies for subsidiaries, related parties are as follows:

	Pricing policy
Sales	At price which had been agreed upon that excess cost value.
Revenues from utilities services	At contract price which had been agreed upon.
Income collection from/ expense charging to	At actual cost and at contract price which had been agreed upon.
Other income	At price which had been agreed upon that excess cost value.
Purchase	At price which had been agreed upon.
Royalty fee of product research and Development	At contract price which had been agreed upon.
Consultant in product research and coordination fee	At contract price which had been agreed upon.
Rental expense	At contract price which had been agreed upon.
Loan to	Interest charge at rate of 4.15% per annum

5.2 Balances of transactions with subsidiaries, related parties

Balances of significant transactions with subsidiaries, related parties as at 31 December 2012 and 2011 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Trade receivable				
Green Gold Co., Ltd.	-	-	1,032,903	2,239,965
Asian Life Co., Ltd.	-	-	3,553,103	4,128,360
Samaphan Trading Co., Ltd.	1,361,703	6,808,517	-	-
Arun Pitaya Co., Ltd.	26,155	32,999	13,145	16,050
K&N Organic Herb Limited Partnership	15,742	9,838	-	-
Th17 (Thailand) Co., Ltd.	168,525	-	168,525	-
Total	1,572,125	6,851,354	4,767,676	6,384,375
Other receivable				
Green Gold Co., Ltd.	-	-	1,307,846	61,463
Asian Life Co., Ltd.	-	-	-	1,588,530
TH17 GLOBAL Co., Ltd.	-	-	200	-
Total	-	-	1,308,046	1,649,993
Accrued dividend				
Green Gold Co., Ltd.	-	-	23,436,939	14,995,961
Asian Life Co., Ltd.	-	-	19,281,963	15,003,971
Total	-	-	42,718,902	29,999,932
Accrued interest				
Asian Life Co., Ltd.	-	-	472,418	-
Long term loans (Note 9)				
Asian Life Co., Ltd.	-	-	15,000,000	-
Trade payable				
Green Gold Co., Ltd.	-	-	76,443	114,142
K&N Organic Herb Limited Partnership	-	43,870	-	-
Total	-	43,870	76,443	114,142

Other payable

Green Gold Co., Ltd.	-	-	29,898	45,092
Samaphan Trading Co., Ltd.	-	21,580	-	21,580
Arun Pitaya Co., Ltd.	5,357,062	5,365,003	2,739,187	3,153,553
Total	5,357,062	5,386,583	2,769,085	3,220,225

5.3 Revenues and expenses with subsidiaries, related parties

Transactions with subsidiaries, related parties for the years ended 31 December 2012 and 2011 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Sales				
Subsidiaries	-	-	47,304,746	44,339,398
Related companies	2,098,801	8,861,660	1,967,725	2,448,400
Related persons	75,380	68,908	28,865	32,108
Total	2,174,181	8,930,568	49,301,336	46,819,906
Dividend income				
Subsidiaries	-	-	42,718,902	43,017,898
Revenues from utilities services				
Subsidiaries	-	-	224,299	33,645
Income collection from				
Subsidiaries	-	-	3,627,177	531,249
Interest income				
Subsidiary	-	-	472,418	-
Other income				
Related companies	42,297	53,331	-	-

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Purchase

Subsidiaries	-	-	1,027,806	761,981
Related companies	2,509,000	5,079,100	-	-
Total	2,509,000	5,079,100	1,027,806	761,981

Royalty fee of product research and development

Related companies	5,357,062	5,365,003	2,739,187	3,153,553
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Consultant in product research and coordination fee

Related persons	1,935,000	960,000	1,935,000	960,000
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Expense charging to

Subsidiaries	-	-	153,910	173,705
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Rental expense

Related companies	420,000	390,000	-	-
Related persons	156,000	138,000	-	-
Total	576,000	528,000	-	-

Directors and management's benefits

For the years ended 31 December 2012 and 2011, the Group had employee benefit expenses of their directors and management as below.

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Short-term employee benefits	15,779,667	11,558,934	11,539,667	9,656,334
Post-employment benefits	504,296	468,345	450,499	420,684
Total	16,283,963	12,027,279	11,990,166	10,077,018

6. CASH AND CASH EQUIVALENTS

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Cash on hand	1,138,310	442,735	50,000	50,000
Regular checking accounts	11,812,039	10,823,765	78,649	53,157
Saving accounts	58,186,689	42,317,379	9,808,760	9,665,557
Bill of exchanges, maturity 3 months	13,000,000	-	-	-
Total	84,137,038	53,583,879	9,937,409	9,768,714

As at 31 December 2012, the weighted average effective interest rates of deposits at financial institutions were 0.62% to 3.0% per annum (31 December 2011 : 0.75% per annum).

7. SHORT - TERM INVESTMENTS

As at 31 December 2012, the Group has 4-5 months bill of exchange account amounted to Baht 194.9 million, (Separate financial statements : Baht 179.9 million), which bear interest at the rate of 3.1%-3.5% per annum.

As at 31 December 2011, the Group has 4 months bill of exchange account amounted to Baht 225 million (Separate financial statements : Baht 200 million) which bear interest at the rate of 4.15% per annum.

8. TRADE AND OTHER RECEIVABLES

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Trade receivable - related parties (Note 5.2)	1,572,125	6,851,354	4,767,676	6,384,375
Trade receivable - other companies	5,620,875	5,092,223	3,806,263	4,541,607
Less allowance for doubtful accounts	-	(250,614)	-	-
Trade receivable - other companies, Net	5,620,875	4,841,609	3,806,263	4,541,607
Total trade receivable	7,193,000	11,692,963	8,573,939	10,925,982
Other receivable - related parties (Note 5.2)	-	-	1,308,046	1,649,993
Advances for inventories	491,351	732,173	491,351	732,173
Total	7,684,351	12,425,136	10,373,336	13,308,148

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Aging of trade accounts receivable as at 31 December 2012 and 2011 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Trade receivable - related parties				
Not yet due receivable	180,523	2,736,416	4,629,710	5,835,292
Over due with 1 to 3 months	22,028	4,114,938	137,966	549,083
Over due with 4 to 6 months	7,871	-	-	-
Over due with 7 to 9 months	1,361,703	-	-	-
Total	1,572,125	6,851,354	4,767,676	6,384,375
Trade receivable - other companies				
Not yet due receivable	4,711,314	4,065,430	3,223,822	3,804,053
Over due with 1 to 3 months	678,423	644,179	412,999	605,554
Over due with 4 to 6 months	21,569	-	14,062	-
Over due with 7 to 9 months	106,849	132,000	52,660	132,000
Over due with 10 to 12 months	102,720	-	102,720	-
Over 12 months	-	250,614	-	-
Total	5,620,875	5,092,223	3,806,263	4,541,607
<u>Less</u> Allowance for doubtful accounts	-	(250,614)	-	-
Net	5,620,875	4,841,609	3,806,263	4,541,607

9. LONG-TERM LOAN TO SUBSIDIARY

As at 31 December 2012, long-term loan to Asian Life Co., Ltd., subsidiary in the form of promissory note amounting to Baht 15 million, payable in yearly installments in principal starting from March 2013 and last installments in March 2017, which bear interest at the rate of 4.15% per annum.

	In Baht	
	Separate Financial statements	
	2012	2011
Long-term loan to	15,000,000	-
<u>Less</u> Current portion	(3,000,000)	-
Long-term loan to - Net	12,000,000	-

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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10. INVENTORIES

	In Baht					
	Consolidated financial statements					
	Allowance for obsolescence of					
	At Cost		inventories		Inventories-net	
	2012	2011	2012	2011	2012	2011
Finished goods	7,282,118	7,319,015	(412,130)	(408,753)	6,869,988	6,910,262
Work in process	98,760	1,124,163	-	-	98,760	1,124,163
Transform raw material	10,994,106	12,943,780	(603,203)	(956,721)	10,390,903	11,987,059
Raw material	17,610,095	17,838,326	(1,654,419)	(1,660,699)	15,955,676	16,177,627
Packaging and supplies used						
expense	7,815,019	6,336,216	(357,218)	(239,712)	7,457,801	6,096,504
Net	43,800,098	45,561,500	(3,026,970)	(3,265,885)	40,773,128	42,295,615

	In Baht					
	Separate financial statements					
	Allowance for obsolescence of					
	At cost		inventories		Inventories-net	
	2012	2011	2012	2011	2012	2011
Finished goods	1,472,289	2,072,578	(6,235)	(3,311)	1,466,054	2,069,267
Work in process	98,760	627,158	-	-	98,760	627,158
Transform raw material	8,597,596	9,565,390	(373,502)	(562,503)	8,224,094	9,002,887
Raw material	16,420,173	16,258,083	(1,597,693)	(1,601,068)	14,822,480	14,657,015
Packaging and supplies used expense	7,075,352	5,865,963	(312,062)	(194,161)	6,763,290	5,671,802
Net	33,664,170	34,389,172	(2,289,492)	(2,361,043)	31,374,678	32,028,129

11. DEPOSITS PLEDGED AS COLLATERAL

As at 31 December 2012 and 2011, the Group has fixed deposits in the amounts of Baht 2.9 million (Separate financial statements: Baht 0.4 million), interest at the rates ranging from 0.2% per annum and interest at the rates ranging from 0.25%-1.65% per annum, respectively. (Separate financial statements : 2% per annum and 0.95%-1.15% per annum), which are pledged as collateral for overdraft as discussed in Note 15 and for bank guarantees from financial institutions for government and private agency as discussed in Note 25.3.

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FOR THE YEAR ENDED 31 DECEMBER 2012

12. INVESTMENTS IN SUBSIDIARIES

Details of investments in subsidiaries as presented in separate financial statements are as follows;

Name	Nature of business	Paid up Capital (In Baht)	Holdings (%)	At Cost (In Baht)		Dividend (In Baht)	
				2012	2011	2012	2011
Green Gold Co., Ltd.	Manufacturing and Distribution of dietary supplement from herb	23,000,000	99.99	22,999,940	22,999,940	23,436,939	28,013,927
Asian Life Co., Ltd.	Retailing and Direct Selling of natural cosmetics and skin care products	31,000,000	99.99	30,999,940	30,999,940	19,281,963	15,003,971
TH17 GLOBAL Co., Ltd.	Coordination and Distribution for APCO's products	500,000	99.85	499,250	-	-	-
Total				54,499,130	53,999,880	42,718,902	43,017,898

In September 2012, the Company invested in 99,850 ordinary shares of TH17 GLOBAL Company Limited at a price of Baht 5 per share, for a total of Baht 0.5 million (50 percent paid up), which registered its incorporation with the Ministry of Commerce on 6 September 2012. The Company's investment represents 99.85 percent of the registered capital of such company.

13. INVESTMENT IN ASSOCIATE

Details of investment in associate as presented in separate financial statements are as follows;

Name	Nature of business	Paid up Capital (In Baht)	Holdings (%)	(In Baht)	
				At equity method	At Cost
Th17 (Thailand) Co., Ltd.	Marketing of APCO Products with emphasis on cancer prevention and control (CPC)	2,500,000	44	1,037,161	1,100,000

In November 2012, the Company invested in 22,000 ordinary shares of Th17(Thailand) Company Limited at a price of Baht 50 per share, for a total of Baht 1.1 million (50 percent paid up), which registered its incorporation with the Ministry of Commerce on 1 November 2012. The Company's investment represents 44 percent of the registered capital of such company.

14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated financial statement						
	In Baht						
	Land & Improvement	Buildings & Improvement	Machinery & Equipment	Tools	Office Equipment	Vehicles	Total
As at 1 January 2011							
Cost	2,652,420	57,561,695	17,882,124	6,670,334	11,047,481	13,975,148	109,789,202
<u>Less</u> Accumulated depreciation	(7,326)	(18,979,680)	(10,180,084)	(4,304,185)	(9,550,773)	(6,637,776)	(49,659,824)
Net book amount	2,645,094	38,582,015	7,702,040	2,366,149	1,496,708	7,337,372	60,129,378
For the year ended As at 31 December 2011							
Net book value, Beginning of year	2,645,094	38,582,015	7,702,040	2,366,149	1,496,708	7,337,372	60,129,378
Acquisition assets	5,018,900	8,721,635	1,077,085	745,172	2,143,061	43,925	17,749,778
Disposals	-	-	(3,303)	(8,355)	(1,243)	(451,479)	(464,380)
Depreciation	(7,443)	(2,674,194)	(1,300,234)	(829,542)	(680,474)	(847,568)	(6,339,455)
Net book value, Ending of year	7,656,551	44,629,456	7,475,588	2,273,424	2,958,052	6,082,250	71,075,321
As at 31 December 2011							
Cost	7,671,320	66,283,330	18,946,919	7,345,829	12,582,287	10,929,073	123,758,758
<u>Less</u> Accumulated depreciation	(14,769)	(21,653,874)	(11,471,331)	(5,072,405)	(9,624,235)	(4,846,823)	(52,683,437)
Net book amount	7,656,551	44,629,456	7,475,588	2,273,424	2,958,052	6,082,250	71,075,321

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	Consolidated financial statement							
	In Baht							
	Land & Improvement	Buildings & Improvement	Machinery & Equipment	Tools	Office Equipment	Vehicles	Building instruction	Total
For the year ended As at 31 December 2012								
Net book value, Beginning of year	7,656,551	44,629,456	7,475,588	2,273,424	2,958,052	6,082,250	-	71,075,321
Acquisition assets	616,000	12,929,126	228,295	196,675	2,559,845	-	7,955,551	24,485,492
Transfer in (out)	-	1,298,974	-	-	-	-	(1,298,974)	-
Disposals	-	-	-	-	(9)	-	-	(9)
Depreciation	(8,914)	(3,541,717)	(1,302,809)	(806,094)	(1,058,942)	(763,711)	-	(7,482,187)
Net book value, Ending of year	8,263,637	55,315,839	6,401,074	1,664,005	4,458,946	5,318,539	6,656,577	88,078,617
As at 31 December 2012								
Cost	8,287,320	80,511,430	19,175,214	7,542,504	15,078,110	10,929,073	6,656,577	148,180,228
<u>Less</u> Accumulated depreciation	(23,683)	(25,195,591)	(12,774,140)	(5,878,499)	(10,619,164)	(5,610,534)	-	(60,101,611)
Net book amount	8,263,637	55,315,839	6,401,074	1,664,005	4,458,946	5,318,539	6,656,577	88,078,617

As at 31 December 2012 and 2011, the Group had equipment which have been fully depreciated according to their useful live but are still. These are still in active use amounting to approximately Baht 20.7 million and 19.3 million, respectively.

As at 31 December 2012 and 2011, the Group had vehicles acquired under financial lease, with net book value amounting to approximately Baht 2.7 million and Baht 3.8 million, respectively.

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

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	Separate financial statement						
	In Baht						
	Land & Improvement	Buildings & Improvement	Machinery & Equipment	Tools	Office Equipment	Vehicles	Total
As at 1 January 2011							
Cost	2,652,420	8,807,059	13,803,785	5,690,651	1,967,720	4,774,422	37,696,057
<u>Less</u> Accumulated							
Depreciation	(7,326)	(4,798,476)	(8,398,543)	(3,784,013)	(1,620,696)	(1,878,997)	(20,488,051)
Net book amount	<u>2,645,094</u>	<u>4,008,583</u>	<u>5,405,242</u>	<u>1,906,638</u>	<u>347,024</u>	<u>2,895,425</u>	<u>17,208,006</u>
For the year ended 31 December 2011							
Net book value, Beginning of year	2,645,094	4,008,583	5,405,242	1,906,638	347,024	2,895,425	17,208,006
Acquisition assets	18,900	1,460,810	1,077,085	635,532	400,090	-	3,592,417
Sale of assets	-	-	(3,303)	(8,353)	(1,222)	-	(12,878)
Depreciation	(7,443)	(399,379)	(1,014,847)	(671,525)	(185,466)	(391,167)	(2,669,827)
Net book value, Ending of year	<u>2,656,551</u>	<u>5,070,014</u>	<u>5,464,177</u>	<u>1,862,292</u>	<u>560,426</u>	<u>2,504,258</u>	<u>18,117,718</u>
As at 31 December 2011							
Cost	2,671,320	10,267,869	14,868,580	6,263,256	2,304,133	4,774,422	41,149,580
<u>Less</u> Accumulated							
Depreciation	(14,769)	(5,197,855)	(9,404,403)	(4,400,964)	(1,743,707)	(2,270,164)	(23,031,862)
Net book amount	<u>2,656,551</u>	<u>5,070,014</u>	<u>5,464,177</u>	<u>1,862,292</u>	<u>560,426</u>	<u>2,504,258</u>	<u>18,117,718</u>

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FOR THE YEAR ENDED 31 DECEMBER 2012

	Separate financial statement						
	In Baht						
	Land & Improvement	Buildings & Improvement	Machinery & Equipment	Tools	Office Equipment	Vehicles	Total
For the year ended 31 December 2012							
Net book value, Beginning of year	2,656,551	5,070,014	5,464,177	1,862,292	560,426	2,504,258	18,117,718
Acquisition assets	-	69,000	189,295	149,782	1,502,886	-	1,910,963
Depreciation	(8,914)	(506,832)	(1,017,618)	(634,980)	(210,584)	(381,359)	(2,760,287)
Net book value, Ending of year	2,647,637	4,632,182	4,635,854	1,377,094	1,852,728	2,122,899	17,268,394
As at 31 December 2012							
Cost	2,671,320	10,336,869	15,057,875	6,413,038	3,807,019	4,774,422	43,060,543
<u>Less</u> Accumulated depreciation	(23,683)	(5,704,687)	(10,422,021)	(5,035,944)	(1,954,291)	(2,651,523)	(25,792,149)
Net book amount	2,647,637	4,632,182	4,635,854	1,377,094	1,852,728	2,122,899	17,268,394

As at 31 December 2012 and 2011, the Company had equipment which have been fully depreciated according to their useful live but are still. These are still in active use amounting to approximately Baht 10.1 million and 9.1 million, respectively.

As at 31 December 2011, the Company had vehicles acquired under financial lease, with net book value amounting to approximately Baht 0.3 million.

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15. BANK OVERDRAFTS

As at 31 December 2012 and 2011, a subsidiary has the overdrafts lines amounted to Baht 2.5 million. The facilities charge an interest at the rates ranging from MOR per annum. The overdrafts are guaranteed by fixed deposits as discussed in Note 11.

16. TRADE AND OTHER PAYABLES

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Trade payables - related parties (Note 5.2)	-	43,870	76,443	114,142
Trade payables - other companies	1,176,929	1,593,587	760,171	1,285,374
Total trade payables	1,176,929	1,637,457	836,614	1,399,516
Other payables - related parties (Note 5.2)	5,357,062	5,386,583	2,769,085	3,220,225
Payable from acquisition of assets	3,660,000	-	-	-
Accrued expenses	16,323,278	11,159,813	1,281,628	1,464,176
Others	1,384,630	1,282,297	44,494	305,487
Total	27,901,899	19,466,150	4,931,821	6,389,404

17. LIABILITIES UNDER FINANCIAL LEASE CONTRACTS - NET

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Liabilities under finance lease contracts	1,439,942	2,445,148	-	45,244
<u>Less</u> Deferred Interest	(86,920)	(234,318)	-	(3,966)
<u>Less</u> Current portion of liabilities under finance lease contracts	(883,998)	(857,808)	-	(41,278)
Net	469,024	1,353,022	-	-

18. EMPLOYEE BENEFIT OBLIGATIONS

The Group adopted TAS 19 Employee Benefits with effect from 1 January 2011

The Group operate post employment benefit and pension based on the requirement of Thai Labor Protection Act B.E. 2541 (1998) to provide retirement benefits and other long term benefit to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
For the year ended 31 December				
Defined benefit obligations at 1 January	4,636,802	4,116,132	4,053,823	3,621,885
Current service costs and interest	558,627	520,670	462,990	431,938
Defined benefit obligations at 31 December	5,195,429	4,636,802	4,516,813	4,053,823

Expense recognized in profit or loss for the year ended 31 December 2012 and 2011:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current service costs	338,999	324,662	272,212	260,714
Interest on obligation	219,628	196,008	190,778	171,224
Total	558,627	520,670	462,990	431,938

The above expense recognized in profit or loss is recognized in the following line items for the year ended 31 December 2012 and 2011:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Costs of sales	61,328	57,014	61,328	57,014
Administrative expenses	497,299	463,656	401,662	374,924
Total	558,627	520,670	462,990	431,938

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FOR THE YEAR ENDED 31 DECEMBER 2012

Principal actuarial assumptions at the reporting date

For the year ended 31 December 2012 and 2011

	Consolidated financial statements	Separate financial statements
Discount rate	4.41 - 4.44% per annum	4.41% per annum
Salary increase rate	3.29 - 5.43%	3.29%
Employee turnover rate	Scale related to Age ranging from 0 - 67%	Scale related to Age ranging from 0 - 67%
Mortality rate	According to Thailand TMO 2008 male	According to Thailand TMO 2008 male

19. SHARE CAPITAL

At the extraordinary shareholders' meeting held on 30 July 2011

- The resolution to approve the decrease of authorized share capital from Baht 116.2 million (116,250,000 of common shares with of Baht 1 par value) to Baht 93 million (93,000,000 of common shares with of Baht 1 par value). The Company registered with the Ministry of Commerce on 1 August 2011.
- The resolution to approve the increase of authorized share capital from Baht 93 million (93,000,000 of common shares with of Baht 1 par value) to Baht 200 million (200,000,000 of common shares with of Baht 1 par value). The Company registered with the Ministry of Commerce on 3 August 2011, for stock issuing 57 million of common shares with of Baht 1 par value to the private placement who contributing the growth of business, offering 45 million common shares to the public and 5 million common shares to management and staff with offering price Baht 2.80 per share. As a result of the Initial Public Offering held on 27 - 28 October and 31 October 2011, the Company received the proceeds of Baht 140 million which was separately recorded as share capital of Baht 50 million and premium on shares capital amounted to Baht 82.9 million (net subscription expenses of approximately Baht 7.1 million). The Company registered the paid - up share capital with the Ministry of Commerce on 1 November 2011.

As at 31 December 2012 and 2011, the Company has the paid-up share capital amounting to Baht 200 million, divided into 200 million ordinary shares of Baht 1 each and premium on shares capital of approximately Baht 82.9 million.

20. LEGAL RESERVE

Under the provisions of the Limited Public Company Act B.E 2535, the Company is required to appropriate at least 5% of its annual net income after deduction of the deficit brought forward (if any) as legal reserve until the reserve equal to 10% of authorized share capital. The reserve is not available for dividend distribution. As at 31 December 2012 and 2011 the Company appropriated the legal reserve amounted to Baht 2.8 million and Baht 2.9 million, respectively.

21. DIVIDENDS PAID

At the ordinary shareholders' meeting dated on 24 April 2012, the shareholders approved the payment of dividends at Baht 0.25 per share for 200 million shares totaling Baht 50 million out of operating of the year 2011. The Company has already paid for such dividends on 18 May 2012.

At the ordinary shareholders' meeting dated on 30 April 2011, the shareholders approved the payment of dividends at Baht 0.54 per share for 93 million shares totaling Baht 50.2 million from retained earnings at 31 December 2010. The Company has already paid for such dividends on 25 May 2011.

22. PROVIDENT FUND

The Group and their employees established a contributory registered provident fund in accordance with the provident fund Act, B.E.2530. The Group and employees contribute monthly the amounts equivalent 3% of their basic. The provident fund has been managed by Kasikorn asset management Co., Ltd. The fund contributed to employee in accordance with the terms and conditions prescribed following their provident funds. During 2012, the Group's contribution to the provident fund recorded amounting of Baht 0.8 million (2011 : Baht 0.6 million) (Separate financial statement : Bath 0.4 million (2011 : Baht 0.3 million.)).

23. SEGMENT INFORMATION

The Group operates businesses of manufacturing and distribution of dietary supplement from herb. The management has considered this operation to be supported to each other. The Group operates in one geographical area in Thailand. Therefore revenue from operation and all assets in the financial statement involve in one business and geographical. For the years ended 31 December 2012, export revenue was 2.8% (2011: 3.2 %) of total revenue.

24. EXPENSES BY NATURE

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

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Changes in finished goods and work in process	1,062,300	728,155	1,128,687	1,656,292
Purchase of finished goods	3,291,792	5,079,100	782,793	229,980
Raw materials and consumable used	36,446,250	35,504,456	16,006,696	18,813,290
Production fee	2,473,493	2,150,093	2,473,493	2,150,093
Royalty fee	5,359,372	5,370,502	2,741,497	3,159,053
Commission	96,392,550	101,213,152	29,217	-
Employees costs	27,157,062	19,702,531	8,200,469	7,315,488
Managements' remuneration	16,283,963	12,027,279	11,990,166	10,077,018
Depreciation and amortization intangible assets	7,604,090	6,435,113	2,776,775	2,676,483

25. COMMITMENTS AND CONTINGENT LIABILITIES**25.1 Operating lease commitments and service agreements**

As at 31 December 2012, The Group has commitment on rental and service agreements are as follows:

	In Baht	
	Consolidated	Separate
	financial statements	financial statements
Within 1 year	2,904,433	2,328,433
Over 1-3 years	288,000	-
Total	3,192,433	2,328,433

25.2 Capital commitments

As at 31 December 2012, Subsidiary has commitment for the acquisition of building & improvement amounting to Baht 0.6 million.

25.3 Contingent liability

The Group has contingent liabilities for letters of guarantee issued by banks to government and private agency amounting to Baht 0.7 million (Separate financial statements: Baht 0.4 million) and pledge by fix deposits owed by the Group.

26. LICENSE OF UTILIZATION FROM PRODUCTS' RESEARCH AND DEVELOPMENT

The Company has made a research and development contract with the Greens to Gold Partnership (the contractor), which is related company with conditions as follows:

- The Company agrees to pay at a rate of 5 percent of sales contributed from this research and development.
- Contractor agrees to reimburse the cost of product testing that the Company has paid in advance or contractual obligations to pay before the date of this agreement.
- Contractor will work in cooperation with both public and private sectors in this research and development. The request for any documents to confirm the qualification and safety during processing will bring no charge against the Company, unless the expenses are actually disbursed to the participants (both public and private sectors). However, they must notify the Company from time to time for approval.
- Contractor must deliver 1 unit of formulation and production process from product research and development to the Company. It's also forbidden to release such formulas and procedures to be released to others.
- Termination of contract must be in writing. The contract shall be terminated only when receiving the consent of both parties.

In the third quarter 2011, Greens to Gold Partnership intends to change the Party to Arun Pitaya Co., Ltd. Therefore, it has notified the company to pay the outstanding balance of research by changing the creditor from Greens to Gold Partnership to Arun Pitaya Co., Ltd. and make new "License of Utilization from Products' Research and Development" in order to change the party and also add more detailed conditions to the contract as follow :

- Research and Development means Research and Development of mangosteen extract and/or Garcinia Cambogia extract that licensor has researched and developed from the past until now including the derivatives from the abovementioned extracts which comes from the specific innovation of the extracts production process.
- Company agrees to pay wages at a rate of 5% of sales volume of the products derived from the research and development. The calculation will not include the inventory left in Asian Life co., Ltd.

27. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT POLICIES

The principal financial risks faced by the Group are interest rate risk. The Group did not adopt any derivative strategies to manage such exposures.

The Group did not intend to engage in trading derivative instruments for speculative purposes.

B) INTEREST RATE RISK

The Group was exposed to interest risks because it held deposits at financial institutions. However, the Group believed that the future fluctuation on market interest rate would not provided significant effect to their operation and cash flow; therefore, no financial derivative was adopted to manage such risks.

C) CREDIT RISK

The Group was exposed to credit risk. However, due to the large number and diversity of the entities comprising the Group's customer base, the Group does not anticipate material losses from its debt collection. The Group estimated the allowance for doubtful accounts from the ending balance of accounts receivable. The estimate was made by generally accepted principles

D) FAIR VALUE OF FINANCIAL INSTRUMENTS

Since the majority of the Group's financial instruments are short-term in nature, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

A fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at 31 December 2012 and 2011, the Group's debt-to-equity ratio was 0.12:1 (the separate financial statements: 0.03: 1) and 0.10: 1 (the separate financial statements: 0.03: 1).

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29. RECLASSIFICATION

Certain accounts in 2011 financial statements have been reclassified complying with the presentation in the 2012 financial statements as follows:

	Consolidated financial statement			Separate financial statement		
	Before reclassification	Reclassification	After reclassification	Before reclassification	Reclassification	After reclassification
STATEMENTS OF FINANCIAL POSITION						
Trade and other receivables	-	12,425,136	12,425,136	-	13,308,148	13,308,148
Trade accounts receivable -						
Related parties	6,851,354	(6,851,354)	-	6,384,375	(6,384,375)	-
Trade accounts receivable -						
other companies	4,841,609	(4,841,609)	-	4,541,607	(4,541,607)	-
Other receivables - related						
parties	-	-	-	1,649,993	(1,649,993)	-
Other current assets	2,366,239	(732,173)	1,634,066	1,386,931	(732,173)	654,758
Trade and other payables	-	(19,466,150)	19,466,150	-	6,389,404	6,389,404
Trade accounts payable -						
related parties	43,870	(43,870)	-	114,142	(114,142)	-
Trade accounts payable -						
other companies	1,593,587	(1,593,587)	-	1,285,374	(1,285,374)	-
Others payable - related						
parties	5,386,583	(5,386,583)	-	3,220,225	(3,220,225)	-
Accrued expenses	11,159,881	(11,159,881)	-	1,464,176	(1,464,176)	-
Other current liabilities	3,939,075	(1,282,229)	2,656,846	701,481	(305,487)	395,994

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on 20 February 2013.