



Asian Insulators

2012 Annual Report • รายงานประจำปี 2555

บริษัทย่อยของ

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More than half of Porcelain Insulators uses in power transmission and distribution grids are our products. A progressive porcelain manufacturing plant with production flow and state-of-the-art raw materials preparation, pug mills and kilns with ISO-9001 Quality Assurance Program allows for the manufacture and marketing of high quality insulators products. Along with product innovation and improvements to make AI an industry leader in the design and production of high quality porcelain insulators.



Asian Insulators Public Company Limited

Insulators Business

Asian Insulators Public Company Limited



Asian Insulators Public Company Limited is progressive porcelain manufacturing plant with production flow and state-of-the-art raw materials preparation, pug mills and kilns with ISO-9001 Quality Assurance Program. This allows for the manufacture and marketing of high quality insulator products. Along with product innovation and improvements to make AI an industry leader in the design and production of high quality porcelain insulators.

Engineering Business

AI Engineering Services Company Limited



Provides the services for design, supply and installation of high voltage substation, distribution and transmission line system, along with project management with discipline engineers. AI Engineering Services is a market leader providing industrial maintenance, construction and engineering services to the water, power, and communications industries with over 10 years successfully delivered major infrastructure solutions. AI Engineering Services values safety, teamwork, honest and open communication, outstanding customer service and integrity. These fundamental beliefs are applied at all levels throughout the organization.

Alternative Energy and Vegetable Oil Business

AI Energy Company Limited



One of the largest refineries crude palm oil to biodiesel (B100) as an alternative energy source. A refinery plant with the continuous process and friendly to environment. Biodiesel can be used as a substitution for diesel oil as it is commonly use in trucks, and ships for transportation. The benefit of biodiesel is reduced dependence on foreign oil sustainability, it is non-toxic and biodegradable, promotes economic development, produces lower emissions, and extended engine life. Another refinery plant, with 800 tons capacity per day for refining crude palm oil to vegetable oil for both domestic and export with “Pamola” brand.

Logistics Business

AI Logistics Company Limited



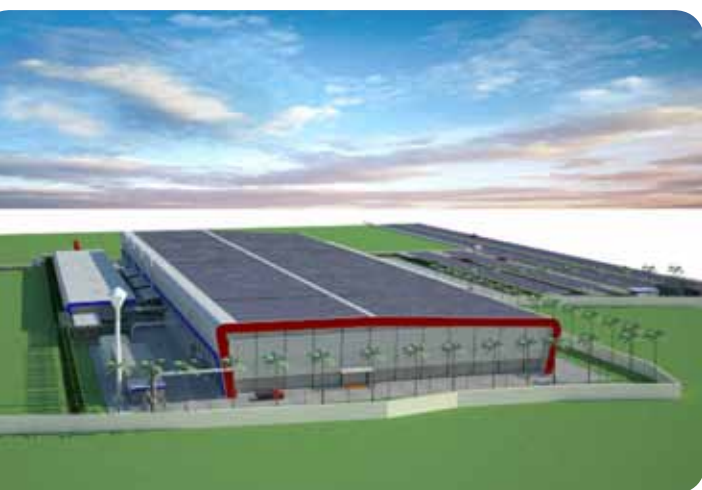
Provides the services for sea and land logistics and specialize in transport of lubrication oil, crude palm oil, refined palm oil as a sea coast vessel. The vessels are equipped with cargo heating coil for any goods that required heating of the cargo during transportation.

Ports and Terminals Business

AI Ports and Terminals Company Limited



Provides the service of the storage tanks farm for petroleum, crude palm oil, lubrication oil . The jetty services are capable to handling 5,000 tons dead weight of ship tankers. The ports are located at Chumphorn Province and Samut Sakorn Province.



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Financial Highlights

(Consolidated Financial Statement)

| Financial Statements | 2012 | 2011 | 2010 |
|--|----------|----------|----------|
| Statement of Income (Million Baht) | | | |
| • Net Sales | 4,326.98 | 2,992.76 | 2,441.92 |
| • Total Revenues | 4,350.61 | 3,013.05 | 2,461.16 |
| • Gross Profit | 463.89 | 219.01 | 424.43 |
| • Profit before Interest and Income Tax Expenses | 268.01 | 102.63 | 303.25 |
| • Net Profit | 188.61 | 34.84 | 243.29 |
| Balance Sheets (Million Baht) | | | |
| • Total Assets | 3,675.26 | 3,337.14 | 2,629.80 |
| • Total Liabilities | 2,184.10 | 1,890.29 | 1,063.66 |
| • Total Shareholders' Equity | 1,491.16 | 1,446.85 | 1,566.15 |
| Financial Ratio | | | |
| • Gross Profit Margin | 10.72 | 7.32 | 17.38 |
| • Net Profit Margin | 4.34 | 1.16 | 9.96 |
| • Return on Equity | 12.65 | 2.41 | 15.53 |
| • Return on Assets | 5.13 | 1.04 | 9.25 |
| Operating Result Per Share | | | |
| • Net Profit per Share | 0.38 | 0.09 | 0.48 |
| • Book Value per Share | 2.98 | 2.89 | 3.13 |



Company and Business Profile

| | |
|------------------------------------|--|
| Company's name | Asian Insulators Public Company Limited |
| Year of establishment | 1981 |
| Stock code | AI |
| Registration No. | 0107574700262 |
| Type of business | Manufacturer and distribution of Porcelain Insulators |
| Head Office Address | 254 Seri Thai Road, Kannayaow, Bangkok 10230 |
| Tel. | 0-2517-1451 0-2517-1026 0-2517-9447-8 และ 0-2517-8597-9 |
| Fax. | 0-2517-1465, 0-2540-0993 |
| e-mail | asian@asianinsulators.com |
| Website | http://www.asianinsulators.com |
| Registered capital | Baht 500 million |
| Paid – up capital | Baht 500 million |
| Comprise of | 500 million ordinary shares, Baht 1 per value |
| Factory address | 99 Moo 2 , Asia Road km. 70-71, Tambon Baan Morh, Amphure Prom Buri, Sing Buri 16120 |
| Tel. | 0-3659-8801-3, 0-3659-8110 |
| Fax. | 0-3659-8455 |
| Year of being listed in SET | 2004 |
| Contacts | Investor Relations Tel. 66-25171451 e-mail: ir@asianinsulators.com |
| Auditors | Dr. Virach Aphimeteetamrong Certified Public Accountant Registration No.1378 or Mr. Chaiyakorn Aunpitipongsa Certified Public Accountant Registration No.3196 or Mr. Apiruk Atianuwat Certified Public Accountant Registration No.5202 from DR. VIRACH & ASSOCIATES OFFICE CO., LTD. 518/3 Maneeya Center Building 7th Floor, Ploenchit Road, Lumpinee District Khet Patumwan, Bangkok 10300 Thailand. Tel/Fax : 0-2252-2860, 0-2255-2518, 0-2254-1210, 0-2250-0634 |

Asian Insulators Public Company Limited (AI) founded on 12 May 1981 with a commitment to manufacture and distribute of high quality porcelain insulators products for electricity distribution and transmission lines. In the past 30 years, we have achieved the milestones as follows:-

- Year 2001 - Received Board of Investment promotion privilege.
- Year 2003 - The Company achieved and accredited quality assurance to ISO 9001-2000.
- Year 2004 - The Company changed its status to Public Company Limited with registered capital of 500 million Baht.
 - The Company formed a joint venture company with PPC Insulators (Europe) with 40% stakeholder with Board of Investment (B.O.I) privilege. The joint venture company is called PPC Asian Insulators Company Limited. Its factory is located at Sing Buri Province, and manufactures Porcelain Insulators for 11 – 230 kV, and 100% of its products will be exported to U.S.A. and Europe markets where PPC Insulators are located.
 - The Company has invested in Electrical Projects Company Limited (EPC) with 94.48% stake. EPC is an Engineering contractor for design supply and installation of high voltage Substation and Transmission lines, with registered capital of 200 million Baht.
- Year 2005 - The Company received a privilege from Board of Investment (B.O.I) for the manufacturer of Compound Clay for the Porcelain Insulators industry with an output capacity of 25,000 metric tons per annual.
- Year 2006 - Established a subsidiary company named AI Logistics Company Limited (AIL) with 80% stakeholder. AIL's business are sea and land logistics with Board of Investment (B.O.I) privilege.
 - Established a subsidiary company named AI Energy Company Limited (AIE) with 75% stakeholder for the alternative energy business.
 - The Company has increased the stakeholder in Electrical Projects Company Limited to 99.84% and changed its name to AI Engineering Services Company Limited.
- Year 2007 - Established a subsidiary company named AI Ports and Terminals Company Limited (AIP) with 87.13% stakeholder. AIP's business are depots for palm oil, petroleum, lubrication oil storage tanks, and jetties for ship tanker services.
- Year 2010 - The Company has increased the stakeholder in AI Energy Company Limited to 93.14%.
- Year 2010 - The Company received a privilege from Board of Investment (B.O.I) for the manufacturer of Porcelain Insulators with an output capacity of 5,000 metric tons per annual.

Subsidiaries

AI Engineering Services Company Limited (AIES) founded on 17 September 1992. The main business is an engineering contractor for construction of high voltage substations and high voltage transmission lines, with a stakeholder of 99.84% with the registered capital of 200 million Baht.

AI Logistics Company Limited. (AIL) was founded in February 2006. The main business is to provide the services of sea and land logistics, with stakeholder of 97.94 % with the registered capital of 160 million Baht. AIL has also received the Board of Investment (B.O.I) privilege.

AI Energy Company Limited (AIE) was found in October 2006. The main business is alternative energy manufacturer and vegetable oil refinery, with a 98.00 % stakeholder with registered capital of 370 million Baht.

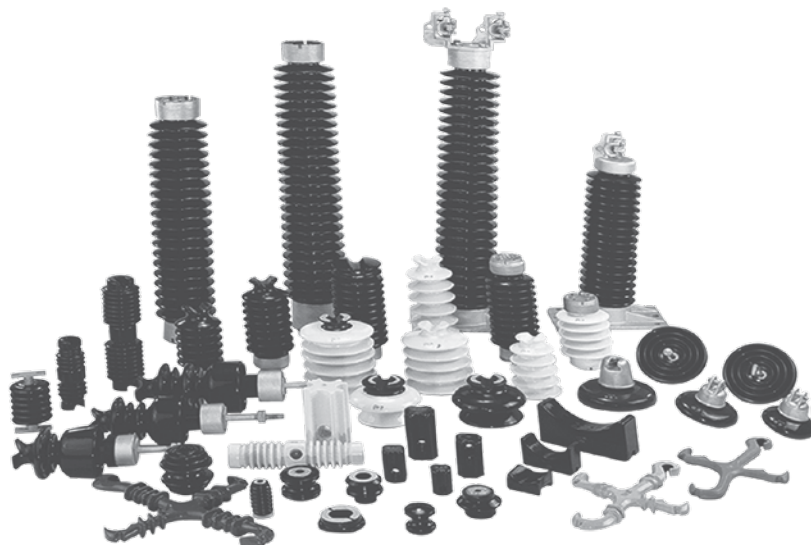
AI Ports and Terminals Company Limited (AIP) was found in April 2007. The main business is depots for palm oil, petroleum, lubrication oil storage tanks, and jetties for ship tanker services at Samut Sakorn and Chumporn province, with 99.00 % and register capital of 255 million Baht.

Joint Venture Company

PPC Asian Insulators Company Limited (PPCAI) was established on 23 February 2004 with the registered capital of 263 million Baht. PPCAI is a Joint Venture Company between Asian Insulators Public Company Limited (AI) and PPC Insulators Holding GmbH (PPC), Austria with 25.10% and 74.90% stake respectively. PPC Insulators Holding GmbH (PPC), Austria invested into this Joint Venture Company via Porzellanfabrik Frauenthal Insulators GmbH (PFI), its subsidiary company.

Asian Insulators Public Company Limited and PPC Insulators Holding GmbH (PPC), Austria had signed the Joint Venture agreement on January 30th, 2004 with the common goal to manufacture and distribute of porcelain Insulators to PPC Insulators Holding GmbH (PPC). The agreement has specified the distribution right for the company to act as representative to sell and distribute porcelain insulators to Thailand, Laos, Myanmar, Cambodia and Vietnam.

The Joint Venture Company shall manufacture the Porcelain Insulators according to ANSI and IEC standard for export only. The production technology will be supported by both companies



Message from Chairman

Asian Insulators Public Company Limited and its subsidiaries have derived 4,350.61 million Baht in Total revenues in year 2012, a 44.39 % fall from the previous year, Earning Before Interest and Tax (EBIT) equal to 274.71 million Baht, a 6.31 % of the total revenues, 188.61 million Baht in net profit, a 4.34 % of the total revenues. The earnings per share was 0.38 Baht.

Porcelain Insulators business derived revenue 859.12 million Baht, increased by million Baht 234.72, a 37.59% fall from last year. The economic crisis and the shrinkage of the government spending in the infrastructure of year 2011, as result in demand for Porcelain Insulators for year 2012.

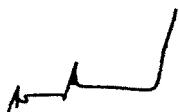
The Engineering business, or the subsidiary with the revenue of 42.72 million Baht, a 17.15 % or 8.84 million Baht fall from last year.

The Alternative energy and Vegetable Oil business derived revenue from sale of biodiesel and its by-products of 3,367.84 million Baht, a 50.58 % or 1,131.14 million Baht rise from last year.

The Logistics business derived the revenue from transportation of lubrication oil, crude palm oil, crude glycerol of 28.58 million Baht, a decreased of 47.41 % or 25.76 million Baht from the previous year.

The Ports and Terminals business derived revenue amount 44.72 million Baht, a 6.76 % increased, 2.83 million Baht from last year.

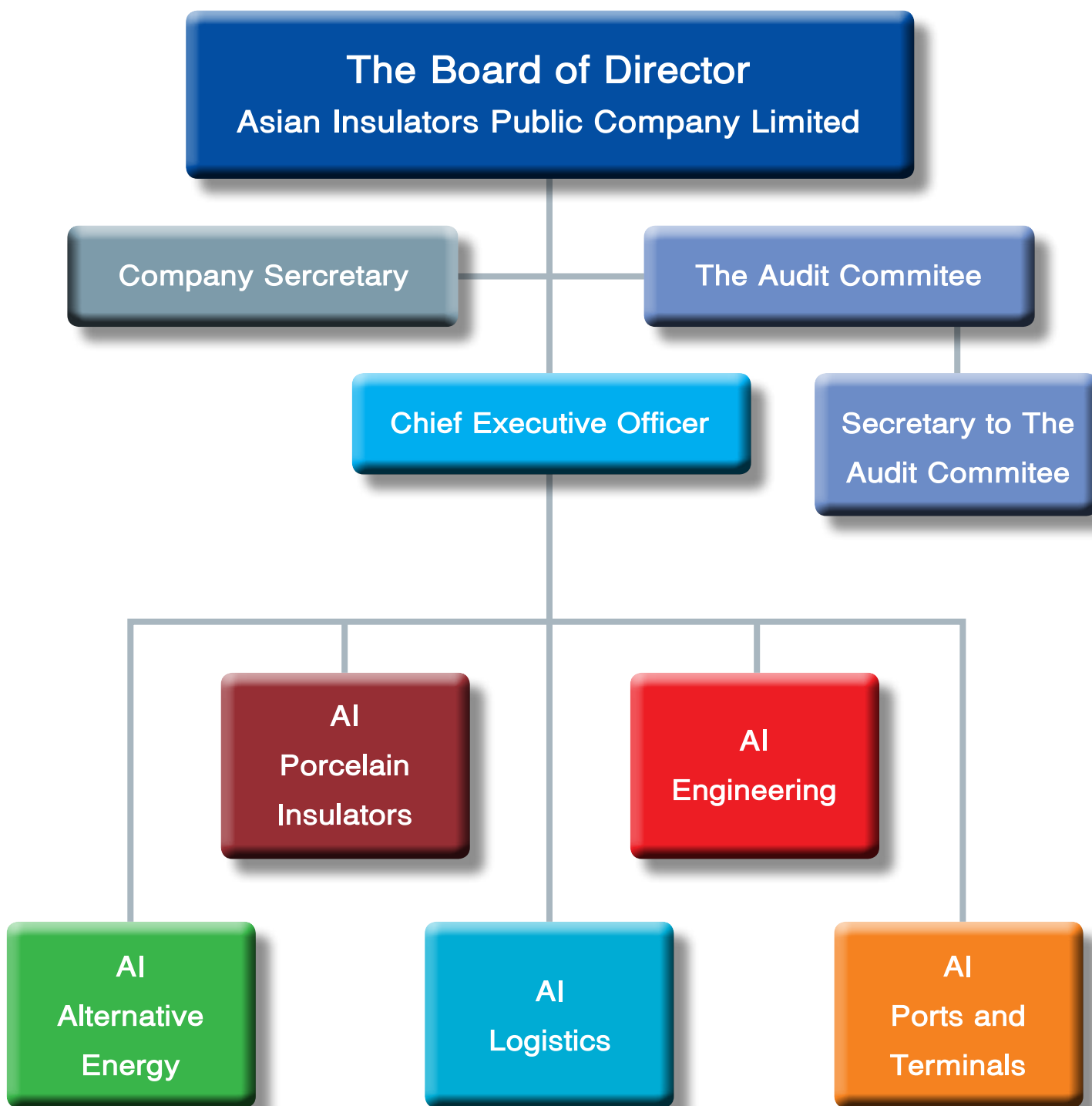
Asian Insulators Public Company Limited Group managed under the corporate governance with a firm commitment to ethical transaction with the improvement of life and environment. On behalf of the Company, we sincerely thank the shareholders, customers, business partners, financial institutions, and employees for entrusting the Company with these responsibilities and for supporting the Company through the year.



Narong Thareratanavibool

Chairman





Board of Directors

Roles and Responsibility of the Board of Directors.

The Board of Directors holds responsibilities for all the Company's shareholders. Each director represents all shareholders and takes part in supervisory and regulatory functions in the Company's operations, independent and impartial manner, for the benefits of all shareholders and other stakeholders. The Board has roles and responsibilities stated in the Board of Directors' Charter, which are:

- Board of Directors has the role and responsibilities to the shareholders for the company business and manage as per company objective for maximum benefit to the shareholders with ethical and mutual Benefit.
- Board of Directors shall appoint and authorize Chief Executive Officer to execute the company business plan
- It is a duty of directors to attend every board meeting, except with reasonable excuses.
- The Board of Directors meeting should have regularly every 3 months and scheduled in advance. The Chairman is acting on the behalf chair person in the meeting, prepare the agenda, and make sure that all the relevant information has been received by Directors members within a propitious time.
- The Chairman of the board should promote prudent consideration and allocate appropriate time for the management to present adequate issues and enough for the directors to broadly discuss important matters with care.
- In the matter of consider any agenda, the Directors has the right to seek out, or request more information, or need advisory from the expert, all the expense shall be borne by the Company.
- The resolution from the meeting shall be recorded; any disagreement in the meeting shall be recorded on the minutes of meeting as well.
- The Board of Directors shall appoint a Company Secretary to support and prepare the agenda, invitation letter, filing and advice to the Board of Directors for any laws, regulation that may concern.
- The Board of Directors should provide a report indicating its responsibilities to prepare financial statements, and be exhibited alongside the auditor's report in the company's annual report.
- The role and responsibilities of Board of Directors are as follow:
 1. Approve for strategic planning, execute and company's budget.
 2. Approve the operating results each quarter compare to the plan and future trend.
 3. Approve the investment, buy or accusation or Joint Venture Agreement for those within the Stock Exchange of Thailand's regulation.
 4. Approve on company behalf of any that concern with debts, business strategy, financial, and goodwill.
 5. Approve and sign contract agreement on the company behalf of unusual business and important normal business operation.
 6. Approve any connected transaction between companies, subsidiary, joint venture, and related person for those which not require the approval from shareholders.
 7. Approve any business transaction that has the impact to debt to equity ratio more than 1 : 1
 8. Approve interim dividend payment.
 9. Approve any change in accounting method and financial
 10. Appoint the Company Secretary
 11. Approve an authorization for Chairman, Chief Executive Officer, or any Directors for any duty. The authorization shall be enforce until further notice.
 12. Approve the Corporate Governance Policy.
 13. Authorize to approve on the company behalf for execute any matter as per the laws, company objective, and resolution from the Annual General Meeting.
 14. Authorize to execute any matters to conform the laws, company's objective, regulation and resolution from the Annual General Meeting of the shareholders.

Board of Director Remuneration

The Company has established a set of well-defined and transparent remuneration policy for Directors. Executive Directors are responsible for reviewing and consideration appropriateness of each director, and the Company financial status, to ensure that remuneration is comparable to other companies. A member of a committee who is also a member of other committees shall receive additional remuneration according to their increased responsibilities.

The Company has already received approval on its remuneration policies from Annual General Meeting of shareholders No. 1/2555, dated April 4, 2012 for the total and not more than 2,800,000 Baht.

| Name | 2012 Meeting Allowance (Baht) | 2012 Director's Remuneration (Baht) | 2011 Meeting Allowance (Baht) | 2011 Director's Remuneration (Baht) | 2010 Meeting Allowance (Baht) | 2010 Director's Remuneration (Baht) |
|---------------------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| Mr. Narong Thareratanavibool | 115,000.- | 276,000.- | 115,000.- | 276,000.- | 115,000.- | 276,000.- |
| Mr. Thanit Thareratanavibool | 100,000.- | 240,000.- | 100,000.- | 240,000.- | 100,000.- | 240,000.- |
| Mr. Kovit Thareratanavibool | 100,000.- | 240,000.- | 100,000.- | 240,000.- | 80,000.- | 240,000.- |
| Professor Prayoon Chindapradist | 207,000.- | 276,000.- | 207,000.- | 276,000.- | 184,000.- | 276,000.- |
| Mr. Bunlerd Korcharoenporn | 180,000.- | 240,000.- | 180,000.- | 240,000.- | - | 40,000.- |
| Dr. Pornanong Budsaratragoon | 180,000.- | 240,000.- | 180,000.- | 240,000.- | 140,000.- | 240,000.- |
| Total | 882,000.- | 1,512,000.- | 882,000.- | 1,512,000.- | 759,000.- | 1,452,000.- |

Board of Directors Meetings

Board of Directors meetings are planned for the entire year for at least one meeting in every four months. The Chairman of the Board issues a meeting along with the meeting agenda and relevant supplementary documents to each Director within prorated time ahead of the meeting.

At each meeting, Directors are openly and freely express their opinions and ask for the related document from management. Also the right to seek the advice from consultant or advisors with the cost charge to company account. The Chairman of the Board conclude and take the minutes of each are properly documented and, after approval from the Board is given, are filed for auditing purpose and reference by directors and related persons. In the event of director disagree with the resolution, the minute of meeting shall be documented and recorded in the minute of meeting. Board of directors has appointed a secretary to the Board of director who in charge of record the minute of meeting, agenda, invitation to the meeting, filing, and record.

Self-Assessment of the Board - The Board instituted a review of its individual self-assessment that to help directors review their performance together with issue and obstacles identified during the year. In year 2012, all directors had conducted the self-assessment of the Board for one time.

Board of Directors and Audit Committee Meeting Attendance

| Name | Year 2012 | | Year 2011 | | Year 2010 | |
|------------------------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | Board of Directors Meeting | Audit Committee Meeting | Board of Directors Meeting | Audit Committee Meeting | Board of Directors Meeting | Audit Committee Meeting |
| 1. Mr. Narong Thareratanavibool | 4 / 4 | -- | 4 / 4 | -- | 4 / 4 | -- |
| 2. Mr. Thanit Thareratanavibool | 4 / 4 | -- | 4 / 4 | -- | 4 / 4 | -- |
| 3. Mr. Kovit Thareratanavibool | 4/ 4 | -- | 4/ 4 | -- | 3 / 4 | -- |
| 4. Professor Prayoon Chindapradist | 4 / 4 | 4 / 4 | 4 / 4 | 4 / 4 | 4 / 4 | 4 / 4 |
| 5. Dr. Pomanong Budsaratagoon | 4/ 4 | 4 / 4 | 4/ 4 | 4 / 4 | 3 / 4 | 3 / 4 |
| 6. Mr. Bunlerd Korncharoenporn | 4/ 4 | 4 / 4 | 4/ 4 | 4 / 4 | -- | -- |

Details of Directorship of Asian Insulators and Executives in Subsidiaries, and Related Companies

| Subsidiaries and Related Company | | | | | | | |
|----------------------------------|-------------------------|-----|-----|-----|-----|-----|-----|
| Name | Asian Insulators PCL | 2.1 | 2.2 | 2.3 | 2.4 | 2.5 | 2.6 |
| Mr. Narong Thareratanavibool | Chairman | X | // | // | // | // | |
| Mr. Thanit Thareratanavibool | Chief Executive Officer | // | // | // | // | // | |
| Mr. Kovit Thareratanavibool | Director | // | // | // | // | // | // |
| Professor Prayoon Chindapradist | Director | / | | | | | |
| Mr. Bunlerd Korncharoenporn | Director | / | | | | | |
| Dr. Pomanong Budsaratagoon | Director | / | | | | | |

Comments

1. x = chairman : / = Director : // = Executive Director
2. Companies
 - 2.1 Asian Insulators Public Company Limited
 - 2.2 AI Engineering Services Company Limited
 - 2.3 AI Logistics Company Limited
 - 2.4 AI Energy Company Limited
 - 2.5 AI Ports and Terminals Company Limited
 - 2.6 PPC Asian Insulators Company Limited
3. The above Directors do not receive any remuneration from positions in subsidiaries.

Audit Committee

Each quarter the Audit Committee reviews the Company's financial reports in conjunction with accounting department and the office of the auditor general, and presents finding to the Board. The Board is accountable for the Companies Group's consolidated financial statements, as well as other financial information (such as report on the Board's responsibility to financial report) presented in the annual report. The financial statements are prepared under generally accepted accounting principles, examined, and certified by the office of the auditor general. Essential information, including financial and non-financial information, is completely and consistently disclosed.

As December 31, 2012. Audit Committee comprised of three persons as follow:-

| No. | Name | Position |
|-----|---------------------------------|-----------------------------|
| 1. | Professor Prayoon Chindapradist | Chairman of Audit Committee |
| 2. | Mr. Bunlerd Korcharoenporn | Audit Committee |
| 3. | Dr. Pornanong Budsaratragoon | Audit Committee |

And appointed Mrs. Mattika Chunsuwan as a Secretary to Audit Committee.

The Charter of the Audit Committee

1. Qualifications of the Audit Committee

The Audit Committee can freely express their opinions on responsibilities delegated by the Board of Directors, without influence from any individual or group. The qualifications of the Audit Committee are as follows:

- 1.1 Direct or indirect freedom from financial and managerial influences of the company, joint venture or main stockholders.
- 1.2 No direct or indirect connection to the financial or administrative functions of the company, joint venture or major stockholders for at least one year prior to joining the committee. Unless the Board of Directors deems that the relationship does not bias the function and opinions of the Audit Committee.
- 1.3 Not connected to nor relatives of any member of the Board of Directors, administrators or major stockholders.
- 1.4 Not appointed to protect the interests of anyone on the Board of Directors or major stockholders in the organization.

2. Composition of the Audit Committee

The state of the Audit Committee is as follows:

- 2.1 The Audit Committee must consist of members of the Board of Directors and meet the qualifications required by the Stock Exchange of Thailand.
- 2.2 Audit Committee members must be appointed by the Board of Directors.
- 2.3 The Audit Committee shall be composed of at least 3 persons, at least one of whom must have a good knowledge of, and experience in, accounting and finance.
- 2.4 One member of the Audit Committee will be selected and appointed by the Board of directors to be the Chair person.
- 2.5 The manager of the Internal Audit Office will be the secretary of the Audit Committee.

3. Authority

The Audit Committee is responsible for ensuring that the company is run in a clear and honest way. In addition, the committee has to inspect the performances of the Chief Executive Officer and administrators so as to make sure that the policies of the Board of Directors have been followed completely, in correctly and in the best interests of the stockholders. This includes the following:

- 3.1 Ensuring that the company has correct financial reports in keeping with general accounting standards, with sufficient details and transparency.
- 3.2 Ensuring that the company has appropriate and effective internal control and auditing.
- 3.3 Ensuring that the company follows the laws on the Stock Exchange market, the regulations of the Stock Exchange market and the laws related to the company's business.
- 3.4 Selecting and appointing the company's accounting auditor, and setting his/her stipend.
- 3.5 Considering which items of the company's information should be revealed in situations where such a revelation might benefit a competitor and presenting the information correctly and completely.
- 3.6 Ensuring that the company has an appropriate and effective risk management system in place.
- 3.7 Examining and reviewing internal auditing plans and the performance of the internal auditing office in coordination with the accounting auditor.
- 3.8 Preparing reports on the results of the company audits to be included in the company's annual report, endorsed by the chair of the Audit Committee.
- 3.9 Reporting the auditing results of the company's performance to the Board of Directors at least 4 times a year.
- 3.10 In performing auditing work under its jurisdiction, the Audit Committee is empowered to invite any administrators and personnel concerned with the issue under consideration to join meetings or to provide necessary documents.
- 3.11 Having the authority to engage consultants or outside people for advice when necessary.
- 3.12 Performing any other jobs delegated by the Board of Directors with the consent of the Audit Committee.

4. Audit Committee's term

The Audit committee shall serve for a term of at least 3 years. At the end of a 3-year term, an Audit Committee member can be re-appointed. In addition, A member of the Audit Committee may be removed by any of the following:

- 4.1 Death.
- 4.2 Resignation.
- 4.3 Lack of qualifications required by this Charter or by the regulations of the Stock Exchange of Thailand.
- 4.4 End of term of appointment as a member of the Board of Directors.

Any member of the Audit Committee who wishes to resign from his/her position can submit a letter of resignation to the Chairman of the Board. Then, the Board of Directors will approve the resignation.

At the end of the 3-year term, members of the Audit Committee must continue in their positions to perform auditing jobs until a new Audit Committee has been appointed.

If any position on the Audit Committee become vacant for other reasons, before the end of the term, the Board of Directors shall appoint a qualified person to fill the vacant position within 90 days. This person will be appointed for the remaining period of the person he replaces.

5. Meetings

The meetings of the Audit Committee are characterized as follows:

- 5.1 Meetings to consider budget and other matters shall be held not less than 4 times a year and shall be held not less than 7 days before the meeting of the Board of Directors. The chairman can call additional meetings to discuss urgent matters as required.
- 5.2 Any members of the Audit Committee who stand to gain or lose in any matters before the committee has no right to vote in such matters.
- 5.3 When a vote is taken at a meeting, a majority wins the vote. If the votes are equal, the Chairman will cast the deciding vote. However, any dissenting opinions shall be presented to the Board of Directors.
- 5.4 The Chairman of the Audit Committee shall report the results of each meeting at the subsequent meeting of the Board of Directors.





Narong Thareratanavibool

Position in AI : Chairman

Education : Master in Business Administration Executive Program
Kasetsart University National Defense College

Seminar :

Chief Financial Office Certification Program
Director Accreditation Program, Thai Institute of Director Association
Chairman 2000, Thai Institute of Directors Association
Director Certification Program, Thai Institute of Directors Association
Capital Market Academy Leader Program No.15

Previous Experience :

1983 – 2003 Managing Director – Asian Insulators Company Limited
2006 - 2008 Director – PPC Asian Insulators Company Limited

Other Current Position :

Since 2538 Director – AI Engineering Services Company limited
Since 2006 Director – AI Energy Company limited
Since 2006 Director – AI Logistics Company Limited
Since 2007 Director – AI Ports and Terminals Company limited

Thanit Thareratanavibool

Position in AI : Chief Executive Officer

Education : Bachelor of Science in Mechanical Engineering Northeastern
University, Boston, Massachusetts, U.S.A.
Kasetsart International Master in Business Administration
Kasetsart University, Thailand.

Seminar :

Director Accreditation Program, Thai Institute of Director Association
Director Certification Program, Thai Institute of Directors Association

Previous Experience :

1998 – 2003 Deputy managing Director - Asian Insulators
Company Limited
2006 - 2008 Director – PPC Asian Insulators Company Limited

Other Current Position :

Since 1995 Managing Director – AI Engineering Services
Company Limited
Since 2006 Director – AI Energy Company Limited
Since 2006 Director – AI Logistics Company Limited
Since 2007 Director – AI Ports and Terminals Company Limited





Kovit Thareratanavibool

Position in AI : Director

Education : Master in International Business University of Dallas, Texas,
U.S.A.

Siminar :

Director Accreditation Program, Thai Institute of Director Association
Director Certification Program, Thai Institute of Directors Association
Finance for Non-Finance Director, Thai Institute of Director Association
Chief Finance Officer 2000, Thai Institute of Director Association

Previous Experience :

1998 – 2001 General Manager – Crown Ceramic Company Limited

Other Current Position :

Since 1995 Director – AI Engineering Services Company Limited

Since 2006 Managing Director –

PPC Asian Insulators Company Limited

Since 2006 Director – AI Energy Company Limited

Since 2006 Director – AI Logistics Company Limited

Since 2007 Director – AI Ports and Terminals Company Limited

Professor Prayoon Chindapradit

Position in AI : - Chairman, Audit Committee
- Director

Education : Higher Diploma in Accountancy (Equivalent to Master's Degree),
Thammasat University and Bachelor of Law / Thammasat
University Training

Siminar :

Director Accreditation Program, Thai Institute of Director Association

Previous Experience :

1972 – 1978 Deputy General Manager – The Siam Commercial Bank

1980 – 1987 President – Thai Military Bank PCL.

1983 – 1992 Chairman – The Thai Life Insurance Co.,Ltd.

1991 – 1994 Chairman – Sinawatra Computer and
Communication Group PCL.

Other Current Position :

Since 2006 Chairman, Audit Committee

Country Group Securities Public Company Limited



Dr. Pornanong Budsaratragoon

Position in AI : - Audit Committee
- Director

Education : - D.B.A. (Finance), Chulalongkorn University, Thailand
- M.B.A. (MIS), University of Dallas, Texas, U.S.A.
- B.B.A. (Quantitative Analysis) Chulalongkorn University, Thailand
- Internal Auditing Program, Louisiana State University, U.S.A.

Seminar :

Director Accreditation Program, Thai Institute of Director Association

Other Current Position :

Since 1995 Associate Professor – Faculty of Commerce and Accountancy Chulalongkorn University, Thailand

Since 2007 Director of Master of Sciences in Corporate – Faculty of Commerce and Accountancy Chulalongkorn University, Thailand



Mr. Bunlerd Korcharoenporn

Position in AI : - Audit Committee
- Director

Education : Bachelor of Science in Electrical Engineering,
Chulalongkorn University Thailand

Seminar :

Director Accreditation Program, Thai Institute of Director Association

Director Certification Program, Thai Institute of Directors Association

Previous Experience :

1966 - 2003 Provincial Electricity Authority of Thailand Deputy Governor

Other Current Position :

Since 2007 Chairman of the Governance and Nominating Committee,
Audit Committee Lighting & Equipment Public Company Limited



Change in Asian Insulators Shares held by The Management in 2011 – 2012

| No. | Name | Position | 31 dec 12 | 31 Dec 11 | Increase/ Decrease |
|-----|------------------------------|-------------------------------------|-------------|-------------|-----------------------|
| 1. | Mr. Narong Thareratanavibool | Chairman | 186,678,930 | 186,678,930 | -- |
| 2. | Mr. Thanit Thareratanavibool | Chief Executive Officer | 49,823,885 | 49,823,885 | -- |
| 3. | Mr. Kovit Thareratanavibool | Executive Director | 40,007,395 | 40,007,395 | -- |
| 4. | Mr. Sirichai Karintrakul | Vice President - Production | 12,000,000 | 12,000,000 | -- |
| 5. | Mrs. Yaowamal Kongmuang | Accounting Manager | - | - | - |
| 6. | Mr. Ronnachit Swedkomolnun | Assistant Vice President-Marketing | 12,970,437 | 12,970,437 | -- |
| 7. | Mr. Pongsak Rungnapakarn | Assistant Vice President-Production | - | - | - |

Note: The common shares held include those of spouse and minor children

Management

Chief Executive Officer

Mr. Thanit Thareratanavibool

Vice President

Mr. Sirichai Karintrakul

Assistant Vice President

Mr. Ronnachit Swedkomolnun

Mr. Pongsak Rungnaphakarn

Mr. Kusol Sriboonyakaew

Accounting Manager

Mrs. Yaowamal Kongmuang

Factory Manager

Mr. Weera Onnum

Management Compensation

The remuneration of the management is paid according to the policies and criteria set by Chief Executive Officer. It is tied directly to the performance of the Company and each individual performance. It also competitive with the same industry compensation.

Remuneration of the Management

| | Year 2012 | | Year 2011 | | Year 2010 | |
|--------------|-----------|------------|-----------|------------|-----------|------------|
| | Number | Amount | Number | Amount | Number | Amount |
| Remuneration | 24 | 29,304,063 | 24 | 28,470,249 | 22 | 31,703,340 |
| Bonus | 22 | 4,562,440 | 20 | 4,434,960 | 22 | 4,683,890 |
| Total | | 33,866,503 | | 32,905,209 | | 36,387,230 |

Corporate Governance Policy

The Board set up a Corporate Governance Committee, comprise of Management, Audit Committees, Independent Directors to investigate critical matters under the corporate governance principles to create maximum benefit for shareholders, taking into account the overall stakeholders' concerns and interests, business ethics, and transparency. The committee has at least half with non-executive directors, and one-third of the committee is fully independent and has no relationship with executive members. The Chief Executive Officer has been appointed as one of the committee member.

1. Rights of Shareholders

The Company recognizes that investors will put trust and confidence in its business only if they can be assured that the Company has an equitable policy and maintains shareholders' fundamental rights and equitability under the law, as well as business management that is suitable, efficient, effective, and accepted by investors and stockholders as one with good corporate governance.

As a rule, the Company schedules an Annual General shareholders' meeting (AGM) within four months of the annual closing date of its accounting books. For urgent matters relating to shareholders' interest or requiring shareholders' approval under any rules, conditions, or applicable laws, it will call an extraordinary shareholders' meeting.

● Shareholders' Meeting

The Board acknowledges the right of shareholders to receive equal treatment and voice their opinions at meetings. The Company has invite minor shareholders to propose items for the AGM ahead of time to promote fair and equitable treatment of all shareholders, which is part of good corporate governance practice. The Company also arranged for delivery of the notice of the general meeting of shareholders, containing the completed agenda in compliance with regulatory statutes, the Stock Exchange of Thailand's requirements and the Company's Articles of Association, together with proxy forms and a complete set of meeting documentation and other details to shareholders not less than 14 days prior to the meeting date. This also provides sufficient time for shareholders who cannot attend the meeting to delegate their authority to other individuals or the Independent Directors to exercise their voting right. In addition, to give shareholders enough preparation time, at least three days ahead of the meeting the invitation must be announced through one Thai and one English newspaper for at least three consecutive days. In the meeting held in 2012, meeting invitation was made available on the Company's website at least 15 days ahead of meeting. The Company ensures that each shareholder can reasonably assured of meeting security measures and given two hour of available registration time.

At each meeting, the Company exercise equitable of all shareholders. After explaining the Company rules on voting and vote counting for individual agenda item, the chairman of the meeting must address each opinion, question, or recommendation of shareholders, giving adequate time for debate on each agenda item. The chairman ensure that the meeting proceeds according to the order of the agenda and does not add an item without notify shareholders in advance. For the selection of Directors, individual votes are required, and the Company executives will answer all questions clearly and precisely.

On the meeting date, the Company arranged for staff to facilitate registration of shareholders and/or their proxies using a barcode registration system, and handing out printed ballots to each shareholder for voting on each meeting agenda item. The previous General Meeting of Shareholders, the Chairman of the Board acted as the Chairman of the meeting, which was also attended by the Chairman of Audit Committee, Chief Executive Officer; together there were 6 directors in attendance. The minutes of the meeting must be completely and accurately recorded with a written summary of voting results on each matter.

After the meeting, the Company submitted the report of the shareholders' meeting, which contained meeting minutes, voting records, and every question raised by shareholders, to SET within 14 days. Meeting information can be accessed through the Company website (www.asianinsulators.com)

Annual General Meeting of Shareholders

In 2012, the Company organized one shareholders' meeting: the Annual General Shareholders' Meeting (AGM) on 4 April 2012.

• Before the Meeting

The Company had announced that AI had given opportunity to our shareholders to propose Shareholders Meeting Agenda in the coming Annual General Meeting of Shareholders on 14 November 2011 via website of Stock Exchange of Thailand and Company's website. The Company had appointed Independent Directors to take care of minority shareholders rights from being limited and to hear from them for their suggestions and inquiries. The said issues for the coming Annual General Meeting of Shareholders can be proposed from November 14, 2011 until December 20, 2011 through e-mail address of Independent Directors at ind_dir@asianinsulators.com, or by registered mail to the Chairman, Board of Directors, Chief Executive Officer, or Secretary to the Board at the address: Asian Insulators Public Company Limited No. 254 Seri Thai Road, Kannayaow, Bangkok 10230.

Independent Directors will consider the shareholders' proposals and further pass to the Board of Directors for their consensus for final decision.

If The Boards argues that any issues are significant or beneficial to AI or the shareholders, the Board will put the said issues in the meeting agenda remarked as "Agenda from shareholders" in notice to shareholders or clarify them at the Shareholders' Meeting. If the proposals have not passed the consensus, then the reasons shall be given to the shareholder who proposed the agenda.

There were no proposals which raise by the shareholders via e-mail, and register mail.

The meeting date was announced on the website of Stock Exchange of Thailand. The Company also arranged for delivery of the notice of the general meeting of shareholders, containing the completed agenda in compliance with regulatory statutes, the Stock Exchange of Thailand's requirements and the Company's Articles of Association, together with proxy forms and a complete set of meeting documentation and other details to shareholders not less than 14 days prior to the meeting date. In addition, the Company also placed the meeting notice in Thai and English daily newspaper for at least 3 consecutive days prior to the meeting date. Should shareholders wish to appoint proxies to attend the meeting and vote on their behalf, they may do so under the procedure or delegate Independence Directors as their proxies. In additional, to promote corporate governance, the Company has provided the opportunity for shareholders to propose matters of importance to the Company in advance, which will be considered as agenda items for the 2012 General Meeting of Shareholder on the Company website.

• On the Meeting Date

Registration begins two hours ahead of time. The Company arranged for staff to facilitate registration of shareholders and/or their proxies using a barcode registration system, and handed out printed ballots to each shareholder for voting on each meeting agenda item. The previous General Meeting of Shareholders, the Chairman of the Board acted as the Chairman of the meeting, explaining voting and vote-counting procedures, balloting, and clearly disclosing voting results on each agenda item, and allowing shareholders to ask questions or express their view. The Chairman also ensures that Directors or the Manager net replied to questions with clarity. In 2012, total of 6 Directors attended the AGM – namely the Chairman of the Board, two Executive Directors, and three Audit Committee Members, and Management.

1. Mr. Narong Thareratanavibool - Chairman
2. Mr. Thanit Thareratanavibool – Executive Director
3. Mr. Kovit Thareratanavibool – Executive Director
4. Professor Prayoon Chindapradit - Chairman of Audit Committee
5. Mr. Bunlerd Korcharoenporn – Audit Committee
6. Dr. Pornanong Budsaratagoon – Audit Committee

Consideration of items and voting were conducted in order of the announced agenda. This included consideration of the appointment of individual directors and their remuneration, together with consideration of appointment of external auditors and the audit fees to be approved by the meeting. The Chairman of the meeting provided the opportunity for shareholders to inquire about various matters and express their opinions, which were answered and supplemented with additional information. Voting and vote-counting procedures were conducted in a transparent matter. Comprehensive minutes of the meeting were recorded, along with details of the voting on each agenda item.

- **After the Meeting**

After the meeting, the Company submitted the report of the shareholders' meeting, which contained meeting minutes, voting records, and every question raised by shareholders, to SET within specified time. Meeting information can be accessed through the Company website (www.asianinsulators.com)

2. Role of Stakeholders

The Company has a clear policy for the Role of Stakeholders. Regardless suppliers, customers, shareholders, investors, independent auditors, government sectors, community, labor, competitors to proceed the right as per the given laws and with the company Code of Conduct . The Role of stakeholders in year 2011 was as follow:-

- **Shareholders** In Annual General Meeting dated 4 April 2012, There were 74 shareholders attended the AGM. There was no additional agenda raise before the meeting as the Company had given opportunity to our shareholders to propose Shareholders Meeting Agenda via website of Stock Exchange of Thailand and Company's website. The shareholder had exercised their right by voting all agendas that required voting for approval. At the meeting, shareholders are allowed to express their opinion freely, and give suggestion. There were 39 additional questions that shareholders had asked the Management and Directors in the AGM. All the questions had been provided with sufficient details information as given to the shareholders.

- **Suppliers** The Company builds good relationships for mutual benefit and strictly observe contractual agreement made with all suppliers including quality products and on-time delivery.

- **Employee** The Company consider its employees a key success factor and supports their professional development, and attends to the quality of the workplace. The Company provides such as proper compensation, lunch, provident fund, health and life insurance, uniforms, transportation, social security, first aid and nursery to all employees.

- **Customers** The Company is committed to satisfying its customers and the public through its products and services, as well as providing confidence in its quality at suitable prices. In 2012, the Company had surveyed the customer satisfaction and received the score 3.5 from 4.00 in quality, services, and prices which shows a good rating from customers. No complain receive from customers.

- **Competitors** The Company observes the framework of fair competition and refrains from harming the reputation of business competitors through false accusations. In 2012, The Company had followed the Company's Code of Conduct principle. Not a single dispute arose with any competitors during the year.

- **Creditors** The Company realizes that by keeping good relations with the creditors, they can gain trust and confidence, and shall carry out together with practices under its obligation. To create synergy among the Group, the Company proposed that its directors or executives should be appointed as directors of the Board of subsidiary companies to ensure alignment of policies and business plans and maximize value of all stakeholders.

3. Disclosure and Transparency

Business decisions made by Management and employees must be only for the Company's best interest. They must avoid financial or other relationships with external parties that would result in financial losses for the Company or a conflict in loyalty or interest, and must not compromise the efficiency of business operation. The Management and employee must not be involved in such decisions, including the approval of such

transactions, under the disclosed information relating to a possible conflict of interest with the Company. The Company is required to review Executive, Management and shareholders should resolve any conflict of interest with care and honesty, reason, and independence within the code of conduct. And to provide the reasonable information for mutual benefit of the Company.

All the Company Directors and Management, including their spouses and children under legal age, must report any changes in their Company share ownership to SEC under section 59 of the Securities and Exchange Act B.E. 2535 (1992) within three days from the date of sale, purchase, disposal, or receipt of such shares.

4. Business Ethics

The Company has provided a section concerning business ethics for directors, management officer and employees in the Company's Code of Conduct Manual. The aforesaid section was proposed to the Company's directors for acknowledgement and made available on the Company's internal communication media so as to inform the management officers and employees and so that the management officers and employees can refer to it while performing their work. A training to alert the Company's employees and a follow-up on the compliance with the business ethics are regularly held.

In 2012 a training course was conducted for management officers and employees. Two assessments and the follow-up on the compliance with the Code of Conduct were made. No incidents of non-compliance was found.

5. Controlling, System and Internal Audit

The Board of Directors have placed particular emphasis on an efficient internal control system and promotion of an appropriate business culture recognizing risk control as important to the Company's overall operation activities. The Audit Committee has the duty and responsibility of reviewing the effectiveness and adequacy of all risk management processes and internal control systems by discussing and evaluating operation results with internal auditors. These discussions include the internal auditors' scope of work, role and responsibilities, audit plans, and audit conclusions regarding the adequacy and effectiveness of the internal control system. Major recommendations or material deficiencies must be reported to the Board of Directors in timely manner for effective action. In addition, external auditor from the Company's financial auditor must evaluate and review internal control and audit system on yearly basis as well.

In 2012, the external auditor from the Company's financial auditor has evaluated and reviewed internal control and audit system one time. The Audit Committee had conducted the auditing for Controlling and system of the Company in 2012 for one time as well.

6. Responsibilities of the Board

Board of Directors has the role and responsibilities to the shareholders for the company business and manage as per company objective for maximum benefit to the shareholders with ethical and mutual benefit. The Board of Directors had a meeting regularly every 3 months and scheduled in advance. The Board of Directors comprise of 6 members. Three members are Executive Directors and other three members are Independent Directors. The Board has appointed Mrs. Mattika Chunsuwan as a secretary to the Board who in charge of record the minute of meeting, agenda, invitation to the meeting, filing, and record.

In 2011, there were four meetings of the Board.

The Audit Committee considered and appointed Professor Prayoon Chindapradist as the Chairman of the Audit Committee since he has the knowledge in accounting and financial matters.

Self-Assessment of the Board - The Board instituted a review of its individual self-assessment to help Directors review their performance together with issue and obstacles identified during the year.

One self-Assessment of the Board was conducted in 2012.

7. Investor Relations

The Company realizes the value of accurate, complete, and transparent disclosure of information. The Company has established the Investors Relations Department as the company's representative to communicate with investors, analysts, and shareholders. The object of this policy is to ensure that disclosure of the Company's financial and general information to shareholder, investors and general public will be accurate, complete and timely, equally accessible to all, and in accordance with relate laws and regulations. The company's information is disseminated via various channels:

- i. The Stock Exchange of Thailand
- ii. The Annual Report
- iii. The Company's Financial Report
- iv. Notification of the Board of Directors' resolutions and other matters
- v. The Office of the Securities and Exchange Commission
- vi. Newspaper
- vii. Television Station
- viii. The Company's website (<http://www.asianinsulators.com>)
- ix. Company Visits / One – on One Meeting
- x. Non-deal Road show
- xi. Opportunity day / Analyst Meetings

The Company has appointed Mr. Thanit Thareratanavibool in charge of Company Secretary. To communicate and release operating results and Company information to investors, shareholders, and related parties. Investors and interested parties can also make inquiries through telephone number 0-2517-1451, or e-mail: ir@asianinsulators.com

Any release of operating results and Company information to investors, shareholders, and related parties which company has informed SET can be found at <http://www.asianinsulators.com>. In 2012, the Company has released information to investors, shareholders, and related parties through SET a total of 10 times.

AI regularly presents information to analysts, investors via road shows, company visit, conference calls and conference. In 2012, these activities took place:

| Type of Meeting | No. of Events | No. of Companies | No. of Persons |
|------------------------|---------------|------------------|----------------|
| One – on – One Meeting | - | - | - |
| Conference Calls | 5 | - | 5 |
| Group Analyst Meeting | - | 4 | 20 |
| Road show | 3 | - | 340 |
| Opportunity Day | 4 | -- | 120 |

Major Shareholders of Asian Insulators Public Company Limited

At the closing registration on August 28th, 2012

| Shareholders | No. of ordinary shares | % of total shares |
|----------------------------------|------------------------|-------------------|
| 1. Mr. Narong Thareratanavibool | 166,469,445 | 33.29 |
| 2. Mr. Thanit Thareratanavibool | 49,296,440 | 9.86 |
| 3. Mr. Kovit Thareratanavibool | 40,007,395 | 8.00 |
| 4. Mr. Noppol Thareratanavibool | 16,000,005 | 3.20 |
| 5. Mrs. Sopha Thareratanavibool | 20,209,485 | 4.04 |
| 6. Mrs. Jarunee Worakitjanuwat | 14,685,400 | 2.93 |
| 7. Mr. Sirikul Thareratanavibool | 10,336,100 | 2.07 |
| 8. Mr. Anurag Thareratanavibool | 10,000,000 | 2.00 |
| 9. Mrs. Phakaphan Sawedkomolnant | 8,626,000 | 1.73 |
| 10. Others | 164,369,730 | 32.88 |
| Total | 500,000,000 | 100.00 |

Remark: The up to date of major shareholders will be posted on the Company's website before the Annual General Meeting

Dividend Policy

• The Company's Dividend Policy

Company and subsidiary have the policy to pay the dividend to the shareholder each operation year, and not less than 40% of the net profit after tax and legal reserved. The dividend pay out is depend on the investment of the new project in the future. The Board of Directors' decision to payout the dividend is subject to approval of shareholder at the General Annual Meeting, except the interim dividend payout. The Board of Directors has authorized to approve the interim dividend payout, and inform the shareholders at the next shareholder meeting.

• The Dividend Policies of Subsidiaries

The Company has not fixed a dividend payment ratio for our subsidiaries. Their dividend payments shall depend on the operating results of each company.

Dividend payments of subsidiaries to the Company must be made accordance with each company's regulation on dividend payment that must be approved by a resolution of their general meeting of shareholders. Interim dividend payments are allowed. In paying dividends subsidiary companies shall record some profit. If there is an operating loss, dividend payments are barred until such losses are recovered. In additional, at least one-twentieth (1/20) of all profits must be set aside as provisioning reserves until provisioning reserves reach one-tenth (1/10) of companies' total capital.

Risk Management and Risk Factors

With the Company policy to lower the Company's business risk and subsidiaries into reasonable level.

1. Business Risk

Porcelain Insulators Business

As the market leader, The Company manufactures and distributes Porcelain Insulators which are used in distribution and transmission of electricity. The major clients are Utilities / State Enterprise such as the Provincial Electricity Authority (PEA) and the Metropolitan Electricity Authority (MEA). If there is any change in demand for Porcelain Insulators, it will be reflected in the revenue and profit of the Company.

Regardless the above, Utilities / State Enterprises have the policy and projects to expand the distribution and transmission line network as per National Development Plan. The expansion of the distribution and transmission lines networks shall be in line with the development and expansion of economic and Gross Domestic Products (GDP) of the country, and has indication of continuing growth and demand. Also the Utilities / State Enterprises have a clear policy in the procurement and require the quality products as per international standards such as American National Standard Institution (ANSI), International Electrotechnical Commission (IEC), Australian Standard (AS) และ Thailand Institution of Standard (TIS). The Company's products have been certified with Quality Management to ISO 9001:2000, and only company in Thailand that has all Porcelain Insulators products required by utilities for Thailand's distribution and transmission lines networks. With a strong business reputation and over 30 years of experience, our products have been accepted by utilities in quality and reliability. There is a chance to have a new comer to porcelain Insulators business in Thailand, but the production technology of Porcelain Insulators has a great barrier to the new comer. Since it require a high production technology compare to normal ceramic products such as sanitary ware and tableware. porcelain insulators have a high international standard, and only one quality. No degradable quality products. Any Porcelain Insulators products which do not conform to the standard shall be rejected and destroyed. Regarding to the Utilities / State Enterprises have a policy as per resolution from the Government to procure only the products that local made and conform to Thailand's Standardization and ISO 9001. These have reduced the Company's business risk of competition from foreign entrants.

The procurement from Utilities / State Enterprises is proceeding with the E-auction procurement. These procurement systems expose the Company to the risk of a price war which could reduce the Company's market share. But the Company has the advantage over other manufacturers that the Company has all the product required by the Utilities and some of the porcelain insulators products require high technology in production process. The Company has our own research and development center for the new products and new production technologies which can reduce the production defect and production cost. The Company has registered for product patent of the products that have been research and develop by the Company. These make the Company more competitive than the others.

The Company is the only manufacturer who has a complete range of products that require by clients. Some of the products that have been researched and developed by us or our innovation have register for patent. Also the improvement of the production process has greatly reduced the amount of defect in the

production lines to the level that less than the industry average. This makes the company more competitive. The company also has the policy not to compete in labor intensive products or simple production technology such as the low voltage insulators. These has reduced the competitive into acceptable level

In the case of Joint Venture between foreign company and local company to establish the new production facilities in Thailand is more complicated, due to the transfer technology know-how. The Company has reduced the business risk for Thailand market by established PPC Asian Insulators Company Limited with PPC Insulators Group as a partner who has experience in insulators production and marketing more than 100 years in this business. The Joint Venture Company manufacturing porcelain insulators for Europe and North America with the Company holds the 25.10% stake. This has reduced a great deal of risk for any new comer from oversea manufacturing. The Company has insurance covering all the assets, and the business interruption insurance as well.

Engineering Business

Engineering business for specialize in design, supply and construction of high voltage substation and transmission line is to expose to the business risk, since most of them are turnkey projects which belong to the Utilities / State Enterprise. The Company business has to realize on their expansion power projects network. The Utilities / State Enterprise have the policy to expand the distribution and transmission line network as per the National Development Plan. The expansion of the distribution and transmission line networks shall be in line with the development and expansion of economic and Gross Domestic Products (GDP) of the country, and has indication of continued growth and demand. Also the Utilities / State Enterprises have the clear policy in the procurement and hiring of good quality contractors which have the qualified past record performance in the same engineering fields.

The Company has the qualification to perform the engineering work according to the requirement of the Utilities / State Enterprise, the company has also given services to private companies which required the engineering services in design, supply and construction of substation and transmission line for their factories and facilities. This has reduced the great deal of the risk in having only one client. All the projects that the Company is involved in shall be insured by damage insurance for all risks.

Logistics Business

Logistics business is specialized in sea and land transportation is exposed to the business risk in weather conditions especially in the sea. The climate change has caused the unexpecting the weather fluctuations with high wind and high waves. As the cost of fuel is rising, the weak United State Dollar and strong Thai Baht has cause the revenue received from services outside the country to be less than forecasted while most of the expenses are in United State Dollar and Thai Baht. The Company has all the vessels, trucks for transportation covered by the insurance for damages including Hull and Machineries, Protection & Indemnity and Business Interruption insurance as well.

Alternative Energy and Vegetable Oil Business

Alternative energy business is specialized in refining the crude palm oil to biodiesel and is expose to the business risk in supply the biodiesel to the major oil companies only at the cost plus. The biodiesel business mostly depends on demand from the end users via the supply from major oil companies, and subsidies from the government sector in the promotion of alternative energies such as biodiesel. Regarding to the government policy to add 1.5 % - 5% of Biodiesel into diesel fuel. These would bring up the large demand for biodiesel, but it would be a risk to the Company if the oil refineries make their own refinery for biodiesel themselves.

The Company has invested in research and development in refinery the crude palm oil process. One of the great things from the research and development was the success in improving the refinery process of biodiesel from batch process into continuous process. This has reduced a great deal of the refinery costs in the methanol recovery process. By products from the process can also generate extra revenue for the company.

The Company has made the modification and improvement for the second refinery plant to refine the crude palm oil for vegetable oil with “Pamola” brand for domestic and export market. The vegetable oil markets are very competitive and the price of local crude palm oil is in line with the world market or commodity goods. It would be a risk to the Company if the price of crude palm oil plunge that could cause the inventory loss.

The Company has all the insurance covering all the assets, and the business interruption insurance as well.

Ports and Terminals Business

Sea ports and terminals business is specialized in storage of petroleum, crude palm oil, and jetty services for ocean vessel is exposed to the business risk in the demand of storage tanks for storage petroleum, or crude palm for biodiesel and cooking oil production.

The Company has reduced the risk by design the storage tanks to be more flexible, so they can store any type of goods that are in liquid form, and heating equipment for heating the goods during storage that required by the client. The flow of the system has been designed to suit either receiving or discharging the goods both on land and sea. The Company has all the insurance covering all the assets, and the business interruption insurance as well.

2. Raw Materials Risk

Porcelain Insulators Business

The Company is exposed to the raw materials risk. Raw materials that use in the porcelain insulators production are 80% from local source and 20% from abroad. The main raw material is plastic clay which is available locally, but it needs to be selected carefully. The long term contract in price and quantity with supplier are used after the Company has tested raw materials. Most of raw materials that available local have reserved that can be used for over 30 years. The Company also seeks out for the raw materials from abroad as well. The Company's reputation and long relationship with local and oversea suppliers has lasted over 30 years, there are very slim chance and risk that suppliers will not supply the raw materials to the

Company. The price of liquid petroleum gas (LPG) which uses for firing the products also depend on the global prices, but the Company is able to pass on the cost to clients in the future contracts in the case of high increase in price of LPG.

Alternative Energy and Vegetable Oil Business

The Company is exposed to raw material risk. Raw material that use for the refining of biodiesel and vegetable oil is crude palm oil which is a commodity product. The prices and quantity are move up and down are seasonal. Import the crude palm oil from oversea is not economical, since the import duty is more than a 140% tariff.

The Company has overcome the raw material risk by improving and modifying the biodiesel production process to use palm stearine (one of the by products from cooking oil refinery) as well. Also importing palm stearine from abroad to Thailand is allowed without any import duty or minimal import duty. Also the large existing tank farms which could stock up the raw materials to be used for periodically and the ocean vessel fleet from AI Logistics Company Limited that can transport the import raw materials from oversea if needed.

3. Employee Turn over Risk

The Company recognizes the important of the human resource. The training center of each company has established the training and development of the staffs' skill to suit the Company and subsidiary Company's employee needed in office and production lines. The Company's welfare are very attractive such as provident fund, health and life insurance, uniforms, transportation, lunch, social security, first aid and nursery are provided as the Company's welfare which make the turnover rate in the acceptable level.

4. Foreign Exchange Rate Risk

The Company and subsidiaries have the policy to minimize the risk from fluctuation in exchange currency, regarding the procurement of raw materials which are from local and oversea by the Company or subsidiaries. The foreign suppliers paid in foreign currency such as United States Dollar and Euro and Japanese Yen. The Forward Foreign Exchange is used to minimize the fluctuation in exchange currency. The Foreign Currency Deposit is use to manage the revenue in foreign currency for the Company and subsidiaries.

Connected Transaction

The Company has the connected transaction between subsidiaries and the joint venture company limited. The Company has directors as a shareholder and connected person, which the mention connected transaction has described in the appendix of this balance sheet by the auditors. Also the audit committee had appropriate commented. The connected transactions are ordinary business of the Company with appropriate reasons, conditions. There is no transfer pricing, or benefit transfer between the Company and/ or subsidiaries companies, or joint venture Company, or companies that have associated directors, or related persons involved.

Connected Transaction in the companies

| Connected Transaction | Relationship |
|---|---|
| 1. Related persons | Major shareholder and / or Executive Directors of the Company. |
| 2. Subsidiary | |
| AI Engineering Services Company Limited | A subsidiary company that has the same Directors and Executive Directors, which are:- <ul style="list-style-type: none"> ● Mr. Narong Thareratanavibool ● Mr. Thanit Thareratanavibool ● Mr. Kovit Thareratanavibool |
| AI Ports and Terminals Company limited | A subsidiary company that has the same Directors and Executive Directors, which are:- <ul style="list-style-type: none"> ● Mr. Narong Thareratanavibool ● Mr. Thanit Thareratanavibool ● Mr. Kovit Thareratanavibool |
| AI Logistics Company Limited | A subsidiary company that has the same Directors and Executive Directors, which are:- <ul style="list-style-type: none"> ● Mr. Narong Thareratanavibool ● Mr. Thanit Thareratanavibool ● Mr. Kovit Thareratanavibool |
| AI Energy Company Limited | A subsidiary company that has the same Directors and Executive Directors, which are:- <ul style="list-style-type: none"> ● Mr. Narong Thareratanavibool ● Mr. Thanit Thareratanavibool ● Mr. Kovit Thareratanavibool |
| PPC Asian Insulators Company Limited | A subsidiary company that has the same Directors, which is:- <ul style="list-style-type: none"> ● Mr. Kovit Thareratanavibool |

Connected Transaction :

Sales or services and expenses rendered to related parties for the years ended December 31,

Unit: Baht

| Transaction | Year 2012 | Year 2011 | Year 2010 |
|---|-------------|-------------|-------------|
| Revenue from selling goods and raw materials | | | |
| AI Engineering Services Company Limited | 1,275,562 | 260,998 | 187,702 |
| AI Energy Company Limited | 16,280,000 | 81,120 | 13,440,000 |
| AI Ports and Terminals Company Limited | 3,071,000 | 15,400,000 | - |
| PPC Asian Insulators Company Limited | 3,806,027 | 5,577,520 | 6,009,824 |
| Revenue from selling Ready Mixed Clay | | | |
| PPC Asian Insulators Company Limited | 153,697,235 | 236,137,956 | 236,556,517 |
| Dividend income | | | |
| AI Engineering Services Company Limited | 2,995,179 | 2,995,179 | 9,983,929 |
| Other Revenue – Office rent | | | |
| AI Engineering Services Company limited | 456,000 | 456,000 | 456,000 |
| AI logistics Company Limited | 100,800 | 100,800 | 100,800 |
| PPC Asian Insulators Company Limited | 1,238,400 | 1,238,400 | 1,238,400 |
| Other Revenue - Services | | | |
| AI Engineering Services Company limited | 704,355 | 710,377 | 797,865 |
| AI logistics Company Limited | 466,213 | 461,382 | 446,399 |
| AI Energy Company Limited | 1,114,965 | 2,672,141 | 2,823,817 |
| AI Ports and Terminals Company Limited | 621,493 | 654,680 | 721,504 |
| PPC Asian Insulators Company Limited | 1,471,630 | 1,463,878 | 1,489,881 |
| Other Revenue - Interest | | | |
| AI logistics Company Limited | 4,854,329 | 4,884,479 | 2,762,719 |
| AI Energy Company Limited | 6,450,685 | 10,727,084 | 8,262,178 |
| AI Ports and Terminals Company Limited | 6,848,014 | 3,425,959 | 833,329 |
| Purchase of scrap clay | | | |
| PPC Asian Insulators Company Limited | 82,423,056 | 134,360,547 | 131,535,210 |
| Purchase of consumed supply | | | |
| AI Energy Company Limited | 76,800 | 70,136 | 118,430 |
| PPC Asian Insulators Company Limited | 52,380 | 186,030 | 4,599,291 |

The Company has a contract to sell the ready mixed clay and buy the scrap of ready mixed clay (for manufacturing Porcelain Insulators) with PPC Asian Insulators Company Limited.

| Transaction | Year 2012 | Year 2010 | Year 2009 |
|---|-------------|-------------|-------------|
| Trade accounts receivable | | | |
| PPC Asian Insulators Company Limited | 46,226,334 | 29,040,192 | 39,081,273 |
| AI Ports and Terminals Company Limited | 1,306,470 | - | - |
| Short-term loan to related party | | | |
| AI Logistics Company Limited | 49,000,000 | 129,000,000 | 119,000,000 |
| AI Energy Company Limited | 150,000,000 | 200,000,000 | 295,000,000 |
| AI Ports and Terminals Company Limited | 195,000,000 | 120,000,000 | 60,000,000 |
| Accrued income | | | |
| AI Engineering Services Company Limited | 15,967 | 9,971 | 52,296 |
| AI Logistics Company Limited | 2,500 | 1,894 | 37,402 |
| AI Energy Company Limited | - | - | 263,334 |
| AI Ports and Terminals Company Limited | - | - | 59,831 |
| PPC Asian Insulators Company Limited | 8,232,555 | 4,256,698 | 8,243,305 |
| Electrical system installation and Supervising construction of factory | | | |
| AI Engineering Services Company Limited | 17,990,192 | 33,344,847 | 600,000 |
| Trade accounts payable | | | |
| PPC Asian Insulators Company Limited | 27,893,371 | 16,663,708 | 22,038,694 |
| Related parties payable | | | |
| AI Engineering Services Company Limited | - | 11,619,592 | 128,400 |
| AI Logistics Company Limited | 32,400 | 34,536 | 50,040 |
| Retention payable | | | |
| AI Engineering Services Company Limited | 2,488,752 | 1,058,271 | - |

Justification and Rationale for Connected Transaction

The Company's Audit Committee reviewed all of the connected transactions and viewed that all transactions were justified and reasonably conducted to provide utmost benefits for the Company and subsidiaries.

Measure or Procedure for Approval Transactions

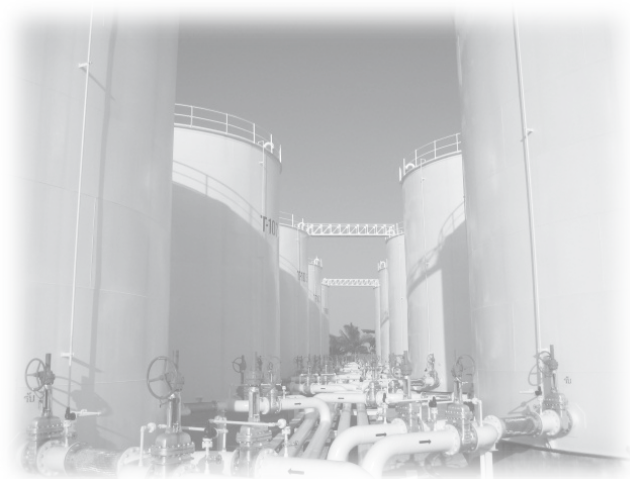
In the past year, the Company has assigned the Audit Committee to review all connected transactions performed between the Company or subsidiaries and related companies. After the review, the Audit Committee was of the view that all connected transactions were conducted as a part of and accordance with the normal course of business, and the Company had made payment as remuneration for the transaction based on the fair market value.

As for any future connected transactions which may be performed between the Company or subsidiaries and any conflicting parties, the Company has assigned the Audit Committee to consider and approve such transactions. In this regards, the payment as remuneration for the transactions shall be based on fair market value.

Policy or Protect of Connected transactions.

The Company's Board of Directors shall comply with all rules and regulations concerning connected transactions and shall not approve any transactions which may cause the Board of Directors or any conflicting party to have interest or conflict of interest of any manner with the Company. Such transactions shall be disclosed to the Board of Directors of Asian Insulators Public Company Limited for their consideration. In this regards, the Board of Directors of Asian Insulators Public Company Limited shall comply with the regulations, notifications, instructions or stipulations of the Stock Exchange of Thailand, including stipulation concerning a disclosure of connected transaction, and acquisition or disposition of significant assets of the Company or subsidiaries.

In the future, if a connected transaction between the Company or subsidiaries and a conflicting or interested party arises, Asian Insulators Public Company Limited will assign the Audit Committee to provide opinion on values, remunerations, including justification and rationale for such transaction. Asian Insulators Public Company Limited has always disclosed connected transactions in the Notes to Financial Statement audited by Auditor of Certified Public Accountant.



Management Discussion and Analysis

As the market leader in Porcelain Insulators business and a complete the whole ranges of porcelain insulators that use in distributions and transmissions electricity network in Thailand. The company is committing to quality of the products, continuous improving the production process, reducing the cost, human resources development, and research and development of the new products. These commitments are applicable thought out the company and subsidiaries.

Revenue Structure

Unit : Thousand Baht

| Business | Company | Year 2012 | % | Year 2011 | % | Year 2010 | % |
|--------------------------------------|------------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Porcelain Insulators | Asian Insulators | 859,118 | 19.85 | 624,399 | 20.86 | 711,062 | 29.12 |
| Engineering | AI Engineering | 42,724 | 0.99 | 51,566 | 1.72 | 233,032 | 9.54 |
| Logistics | AI Logistics | 28,584 | 0.66 | 54,346 | 1.82 | 50,757 | 2.08 |
| Vegetable oil and Alternative Energy | AI Energy | 3,367,842 | 77.84 | 2,236,696 | 74.74 | 1,420,317 | 58.16 |
| Ports and Terminals | AI Ports | 28,710 | 0.66 | 25,749 | 0.86 | 26,751 | 1.10 |
| Total | | 4,326,978 | 100.00 | 2,992,756 | 100.00 | 2,441,919 | 100.00 |

Operating Results

The Net Profit of AI group for the year ended December 31, 2012 (based on the consolidated financial statement) was 188.61 million Baht, while in year 2011 the net profit was 34.84 million Baht. A rise 153.77 million Baht or 441.36 % was segregated by type of business as following.

Insulators Business

Asian Insulators Public Company Limited (“AI”) realized 859.12 million Baht for revenue from selling Porcelain Insulators and Raw materials in year 2012 which compared to revenue of year 2011 was 624.39 million Baht; increased by 37.59% or 234.73 million Baht. The main reasons were the increase in demands of Porcelain Insulators from both utilities and private sectors in expansion electricity network and services through out of the country and expansion of the real sector of industrial estates. While the cost of goods sold was 462.05 million Baht in year 2012; compared to cost of goods sold was 407.66 million Baht in year 2011, increased by 13.34% or 54.39 million Baht. The gross profit margin was 397.07 million Baht.

Engineering Business

AI Engineering Services Company Limited (“AIES” a subsidiary company) realized 42.72 million Baht for revenue from the Construction in year 2012 which compared to revenue of year 2011 was 51.56 million Baht; decreased 8.84 million Baht or 17.15% while the cost of construction was 34.96 million Baht in year 2012; compared to cost of construction in year 2011 was 40.48 million Baht; decreased by 5.52 million Baht, or 13.63%. The project of expansion and development of transmission lines and substations from utilities were postponed; due to the lack of land area. The gross profit margin was 7.76 million Baht.

Logistics Business

AI Logistics Company Limited (“AIL” a subsidiary company) the revenue for 28.58 million Baht from freight charter services in year 2012 which compared to revenue of year 2011 was 54.34 million Baht; decreased 25.76 million Baht or 47.41% from year 2011. While the cost of vessel operating in year 2012 was 21.06 million Baht, compared to cost of vessel operating in year 2011 was 50.96 million Baht; decreased by 58.68% or 50.96 million Baht. Due to the demand of the ship tankers was lower from lower demand of crude palm oil in the international market. The gross profit margin was 7.51 million Baht.

Alternative Energy and Vegetable Oil Business

AI Energy Company limited (“AIE” a subsidiary company) realized the revenue for 3,367.84 million Baht from selling Biodiesel (B100), vegetable oil and it's by products in year 2012 which compared to revenue from selling Biodiesel (B100), vegetable oil and it's by products in year 2011 was 2,236.69 million Baht; increased 1,131.14 million Baht or 50.58%. While the cost of goods sold was 3,307.40 million Baht in year 2012; compared to cost of goods sold in year 2011 was 2,240.58 million Baht; increased 1,066.82 million Baht or 47.62%. Due to the fluctuation of the raw materials of crude palm oil which caused the stock loss. The crude palm oil price has been listed as the control item by the Government, and caused the price of crude palm oil more stable. The gross profit margin was 60.43 million Baht.

Ports and Terminals Business

AI Port and Terminals Company limited (“AIPT” a subsidiary company) realized The revenue of Ports and Terminals business in year 2012 was 44.72 million Baht which compared to the revenue of Ports and Terminals business in year 2011 was 41.89 million Baht; increased 2.83 million Baht or 6.76%. While the cost of services in year 2012 was 54.52 million Baht; compared to the cost of services in year 2011 was 51.09 million Baht; increased 3.43 million Baht or 6.72%. Due to the utilization of the storage tanks were not in full utilization of their capacity. The gross loss from operation was 9.80 million Baht.

Expenses and Income Tax

Selling & administration expenses was 210.41 million Baht, increased 54.28% or 74.03 million Baht in year 2012 compared to the year 2011 which was 136.38 million Baht, the increase were from subsidiary companies' expenses. While the finance costs was 67.53 million and income tax expense was 11.87 million Baht.

Statement of Income for the year (consolidated)

Unit : million Baht

| Description | 2012 | 2011 | 2010 |
|--|-----------------|-----------------|-----------------|
| Sales | 4,237.51 | 2,822.05 | 2,099.76 |
| Revenues from production contract | 18.16 | 64.76 | 58.05 |
| Construction contract | 42.72 | 51.57 | 233.03 |
| Vessel operating income | 28.58 | 54.35 | 50.76 |
| Port service | - | 0.03 | 0.32 |
| Total Revenues | 4,326.97 | 2,992.76 | 2,441.92 |
| Cost of sales | 3,777.49 | 2,630.25 | 1,707.75 |
| Cost of production contract | 15.12 | 38.50 | 44.93 |
| Cost of construction contract | 34.96 | 40.48 | 199.05 |
| Cost of vessel operating | 21.07 | 50.97 | 53.39 |
| Cost of port service | 14.45 | 13.54 | 12.37 |
| Total Cost of sales | 3,863.09 | 2,773.74 | 2,017.49 |
| Gross profit | 463.88 | 219.02 | 424.43 |
| Other income | 23.63 | 20.29 | 19.24 |
| Share of profit (loss) from investments in associate | (6.70) | 2.10 | (3.09) |
| Selling and administrative expenses | 210.41 | 136.39 | 135.12 |
| Directors' remuneration | 2.39 | 2.39 | 2.21 |
| Finance costs | 67.53 | 51.07 | 39.19 |
| Income tax expenses | 11.87 | 16.73 | 20.77 |
| Net Profit | 188.61 | 34.84 | 243.29 |
| Profit (Loss) Attributable to | | | |
| Equity holders of the parent | 190.21 | 43.69 | 239.35 |
| Minority interest | (1.60) | (8.85) | 3.94 |

Financial Status (Consolidated financial statement)

Assets

Total assets as December 31, 2012 was 3,675.26 million Baht which was increased by 338.12 million Baht or 10.13% compared to December 31, 2011 which was 3,337.14 million Baht from the increasing of Inventories 199.85 million Baht, Trade and other receivables 154.42 million Baht and Fixed assets 65.02 million Baht and the decreasing of Cash and cash equivalents 74.46 million Baht.

Liabilities

Total liabilities as December 2012 was 2,184.10 million Baht which was increased by 293.80 million Baht or 15.54% compared to December 31, 2011 which was 1,890.30 million Baht from increasing of Trade accounts payable 96.51 million Baht and Loans from financial institutions 442.05 million Baht. And decreasing of Retention payable 16.25 million Baht, current portion of long-term loans 66.66 million Baht.

Shareholders' Equity

Total Shareholders' Equity as December 2012 was 1,491.16 million Baht which was increased by 44.32 million Baht or 3.06% compared to December 31, 2011. The main reasons were the increasing of retained earning 65.21 million Baht and decreasing of Non-controlling interests 20.90 million Baht.

Liquidity Ratio

- Liquidity ratio for the year ended 2012 was 0.83 time which decreased by 0.06 time compared to the liquidity ratio at the year ended 2011, which was 0.89 time.
- Debt to equity ratio was 1.46 times which was increased by 0.15 time compared to the year ended 2011 which was 1.31 time. Mainly came from increasing of Loans from financial institutions.

Remuneration for Auditor

The consolidated balance sheets of Asian Insulators Public Company Limited and its subsidiaries as at December 31, 2012 and 2011, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Asian Insulators Public Company Limited for the same periods were audited by Dr.Virach Aphimeteetamrong, Certified Public Accountant Registration No. 1378, from Dr.Virach and Associates. Audit fee for AI in the year 2012 and 2011 was 1,190,245 Baht and 1,147,750 Baht respectively. And Audit fee for subsidiaries are as following.

- | | |
|---|--------------|
| • AI Engineering Services Company Limited | 360,000 Baht |
| • AI Logistics Company Limited | 250,000 Baht |
| • AI Energy Company limited | 470,000 Baht |
| • AI Ports and Terminals Company Limited | 360,000 Baht |

Report of the Audit Committee

The Audit Committees consists solely of three independent directors, namely:-

- | | |
|--|-------------------------------|
| 1. Professor Prayoon Chindapradist | Chairman of Audit Committees |
| 2. Mr. Bunlerd Korcharoenporn | Audit Committee |
| 3. Associate Professor Dr. Pornanong Budsaratagoon | Audit Committee |
| Mrs. Mattika Chunsuwan | Secretary to Audit Committees |

The Audit Committee has performed its oversight duties set forth in the Audit Committee Charter in line with the regulatory requirements of the Stock Exchange of Thailand, namely : review of financial statements to ensure that they are accurate and adequate; review of internal control to have an adequate system that can achieve its objectives efficiently. The Committee also investigated the compliance with laws, rules and regulations and reviewed of external auditor and its fee.

In year 2012, the Audit Committee had 4 meetings. Each meeting had invited the external auditor to attend the meeting as well. After the meeting, the Audit Committee had reported and expressed their opinion to the Board of Directors. The key activities of Audit Committee in year 2012 are summarized as follows:

1. The Audit Committee held quarter's meeting with the external auditor and chief of Financial Officer to review the company's accounting system to ensure that the company observed the accounting standard and the adequate and timely information disclosure.

2. At quarterly intervals, the company's financial statement and the report from external auditor were reviewed for appropriate and sufficient direction over the financial statements preparation process and that the company's financial statement are deemed to be reliable, having been prepared in accordance with generally accepted accounting standards before propose to the Board of Directors for approval.

3. The internal control system was reviewed to ensure that the company has an adequate internal control system for its business, and achieves the objectives efficiently.

4. The Audit Committee has evaluated the performance of Dr. Virach & Associates Certified Public Accountants over the past year and has recommended to the Board of Directors for submission for approval by the shareholders at the Annual General Meeting, the re-appointment of Dr. Virach Aphimeteetamong Certified Public Accountant Registration No. 1378 Or Mr. Chaiyakorn Aunpitipongsa Certified Public Accountant Registration No. 3196 Or Mr. Apiruk Atianuwat Certified Public Accountant Registration No. 5202 from Dr. Virach & Associates Certified Public Accountants as external auditors.



(Professor Prayoon Chindapradist)
Chairman of Audit Committee

AUDITOR'S REPORT

To The Shareholders of Asian Insulators Public Company Limited

I have audited the accompanying consolidated financial statements of Asian Insulators Public Company Limited and subsidiaries, which comprise the consolidated statement of financial position as at December 31, 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 Insulators 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

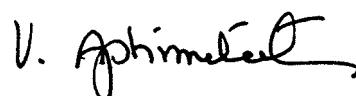
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 Insulators Public Company Limited and subsidiaries and of Asian Insulators Public Company Limited as at December 31, 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



(Dr. Virach Aphimeteetamrong)

Dr. Virach & Associates Office Co., Ltd.

Certified Public Accountant Registration No.1378

Bangkok : February 20, 2013

ASIAN INSULATORS PUBLIC COMPANY LIMITED
CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS
DECEMBER 31, 2012



Asian Insulators Public Company Limited

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

ASSETS

| | | BAHT | | | |
|--|-------------------|----------------------|----------------------|-------------------------------|----------------------|
| | | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
| | Notes | 2012 | 2011 | 2012 | 2011 |
| Current Assets | | | | | |
| Cash and cash equivalents | 4.2 and 5 | 89,272,017 | 163,726,937 | 57,337,365 | 68,641,272 |
| Short-term investments | 4.3 and 6 | 173,753,792 | 185,191,457 | 3,167,646 | 32,468,202 |
| Trade and other receivables | 4.4 and 7 | 519,165,674 | 364,739,759 | 222,917,005 | 167,581,120 |
| Short-term loans to related parties | 8 | - | - | 394,000,000 | 449,000,000 |
| Unbilled receivables | 4.5 and 9 | 22,049,546 | 5,800,850 | - | - |
| Inventories | 4.6 and 10 | 893,156,336 | 693,308,413 | 105,211,454 | 107,514,717 |
| Oil supplies | 4.7 and 11 | 2,300,019 | 2,647,416 | - | - |
| Advance payment to subcontractors | | 1,305,214 | - | - | - |
| Other current assets | | | | | |
| Refundable value added tax | | 806,090 | 3,126,428 | - | 2,441,666 |
| Withholding tax | | 8,076,938 | 5,944,849 | - | - |
| Others | | 113,810 | 1,200,184 | 23,631 | 795,020 |
| Total other current assets | | 8,996,838 | 10,271,461 | 23,631 | 3,236,686 |
| Non-current assets classified as held for sale | 4.8 and 12 | 1,834 | 1,834 | 1,834 | 1,834 |
| Total Current Assets | | 1,710,001,270 | 1,425,688,127 | 782,658,935 | 828,443,831 |
| Non-current Assets | | | | | |
| Investments in associated company | 4.9 and 13 | 21,821,764 | 28,519,596 | 26,400,000 | 33,000,000 |
| Investments in subsidiaries | 4.9 and 14 | - | - | 957,766,025 | 838,466,025 |
| Property, plant, vessel and equipment | 4.10, 4.11 and 15 | 1,921,058,782 | 1,856,032,791 | 716,304,770 | 612,322,630 |
| Intangible assets | 4.12 and 16 | 8,762,536 | 9,933,098 | 8,707,887 | 9,873,278 |
| Other non-current assets | | | | | |
| Deposit on assets | | 13,164,537 | 16,452,829 | 11,260,036 | 15,912,829 |
| Others | | 451,998 | 513,598 | 327,592 | 386,192 |
| Total other non-current assets | | 13,616,535 | 16,966,427 | 11,587,628 | 16,299,021 |
| Total Non-current Assets | | 1,965,259,617 | 1,911,451,912 | 1,720,766,310 | 1,509,960,954 |
| TOTAL ASSETS | | 3,675,260,887 | 3,337,140,039 | 2,503,425,245 | 2,338,404,785 |

Notes to the financial statements form an integral part of these statements.

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | BAHT | | | |
|---|-------------|----------------------|----------------------|-------------------------------|--------------------|
| | | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
| | Notes | 2012 | 2011 | 2012 | 2011 |
| Current Liabilities | | | | | |
| Bank overdrafts and short-term loans from | | | | | |
| financial institutions | 17 | 1,662,997,556 | 1,220,945,296 | 400,000,000 | 300,000,000 |
| Trade and other payables | 18 | 202,112,741 | 105,606,236 | 55,100,928 | 54,561,578 |
| Current portion of long-term loans | 19 | 165,049,810 | 231,712,000 | 99,987,810 | 100,000,000 |
| Advance received from construction | | 4,904,253 | 41,768 | - | - |
| Retention payables | | 1,426,709 | 17,676,531 | 2,490,752 | 14,960,845 |
| Accrued interest | | 2,574,152 | 8,875,848 | 672,044 | 2,313,805 |
| Accrued income tax | | 5,496,400 | 5,707,801 | 5,496,400 | 5,707,801 |
| Other current liabilities | | | | | |
| Undue value added tax | | 19,642,238 | 13,448,015 | 3,207,582 | - |
| Undue sale tax | | 172,452 | 2,126,662 | - | - |
| Others | | 1,906,245 | 3,270,072 | 1,409,165 | 2,755,171 |
| Total other current liabilities | | 21,720,935 | 18,844,749 | 4,616,747 | 2,755,171 |
| Total Current Liabilities | | 2,066,282,556 | 1,609,410,229 | 568,364,681 | 480,299,200 |
| Non-current Liabilities | | | | | |
| Long-term loans from financial institutions | 19 | 87,798,619 | 252,989,510 | - | 99,987,810 |
| Provision for long-term employee benefits | 4.13 and 20 | 30,017,129 | 27,894,996 | 21,185,804 | 20,372,516 |
| Total Non-current Liabilities | | 117,815,748 | 280,884,506 | 21,185,804 | 120,360,326 |
| TOTAL LIABILITIES | | 2,184,098,304 | 1,890,294,735 | 589,550,485 | 600,659,526 |

Notes to the financial statements form an integral part of these statements.

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)

| | | BAHT | | | |
|---|------|---------------|---------------|-------------------------------|---------------|
| | | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
| | Note | 2012 | 2011 | 2012 | 2011 |
| Shareholders' Equity | | | | | |
| Share capital | | | | | |
| Authorized share capital | | | | | |
| 500,000,000 common stocks of Baht 1 par value | | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| Issued and paid-up share capital | | | | | |
| 500,000,000 common stocks at Baht 1 each | | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| Additional paid-in capital | | | | | |
| Premium on common stocks | | 902,769,092 | 902,769,092 | 902,769,092 | 902,769,092 |
| Retained earnings (deficits) | | | | | |
| Appropriated | | | | | |
| Legal reserve | 21 | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
| Unappropriated | | 32,852,167 | (32,362,311) | 461,105,668 | 284,976,167 |
| Total Equity of the Parent | | 1,485,621,259 | 1,420,406,781 | 1,913,874,760 | 1,737,745,259 |
| Non-controlling interests | | 5,541,324 | 26,438,523 | - | - |
| Total Shareholders' Equity | | 1,491,162,583 | 1,446,845,304 | 1,913,874,760 | 1,737,745,259 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 3,675,260,887 | 3,337,140,039 | 2,503,425,245 | 2,338,404,785 |

Notes to the financial statements form an integral part of these statements.

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

| | | BAHT | | | |
|--|-------|---------------|---------------|-------------------------------|--------------|
| | | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
| | Notes | 2012 | 2011 | 2012 | 2011 |
| REVENUES | | | | | |
| Sales | | 4,237,505,065 | 2,822,047,846 | 854,733,877 | 623,540,768 |
| Revenues from production contract | | 18,164,803 | 64,762,575 | - | - |
| Construction contract | | 42,724,396 | 51,565,801 | - | - |
| Vessel operating income | | 28,583,749 | 54,346,407 | - | - |
| Port service | | - | 33,140 | - | - |
| Other incomes | | | | | |
| Interest income | | 768,831 | 585,135 | 18,529,384 | 19,282,744 |
| Dividend income | 14 | - | - | 2,995,179 | 2,995,179 |
| Unrealized gain on investments in Open-end Fund | | 4,467,866 | 3,095,762 | 80,537 | 61,262 |
| Gain on disposal of Open-end Fund | | 1,094,469 | 2,413,761 | 618,907 | 2,139,087 |
| Rental and services income rendered to related parties | 30.1 | 2,710,030 | 2,702,278 | 6,173,856 | 7,757,658 |
| Others | | 14,588,210 | 11,495,291 | 2,890,717 | 2,909,052 |
| Total other incomes | | 23,629,406 | 20,292,227 | 31,288,580 | 35,144,982 |
| Total Revenues | | 4,350,607,419 | 3,013,047,996 | 886,022,457 | 658,685,750 |
| EXPENSES | | | | | |
| Cost of sales | | 3,777,487,115 | 2,630,254,386 | 468,124,527 | 408,030,251 |
| Cost of production contract | | 15,126,350 | 38,504,698 | - | - |
| Cost of construction contract | | 34,959,634 | 40,484,209 | - | - |
| Cost of vessel operating | | 21,066,626 | 50,963,071 | - | - |
| Cost of port service | | 14,448,829 | 13,537,379 | - | - |
| Selling expenses | | 65,155,705 | 28,195,660 | 8,094,168 | 7,775,108 |
| Administrative expenses | | 145,257,099 | 108,188,631 | 70,115,784 | 61,827,426 |
| Directors' remuneration | 22 | 2,394,000 | 2,394,000 | 2,394,000 | 2,394,000 |
| Loss on diminution in investment | 13 | - | - | 6,600,000 | - |
| Finance costs | | 67,533,258 | 51,066,095 | 17,695,175 | 9,793,513 |
| Total Expenses | 23 | 4,143,428,616 | 2,963,588,129 | 573,023,654 | 489,820,298 |
| Share of profit (loss) from investments in associate | | (6,697,832) | 2,108,913 | - | - |
| Profit before income tax expenses | | 200,480,971 | 51,568,780 | 312,998,803 | 168,865,452 |
| Income tax expenses | 24 | (11,871,322) | (16,727,654) | (11,871,322) | (15,286,195) |
| Profit for the years | | 188,609,649 | 34,841,126 | 301,127,481 | 153,579,257 |
| Other comprehensive income for the years | | - | - | - | - |
| Total comprehensive income for the years | | 188,609,649 | 34,841,126 | 301,127,481 | 153,579,257 |
| Profit (Loss) Attributable to | | | | | |
| Equity holders of the parent | | 190,212,458 | 43,691,325 | 301,127,481 | 153,579,257 |
| Non-controlling interests | | (1,602,809) | (8,850,199) | - | - |
| | | 188,609,649 | 34,841,126 | 301,127,481 | 153,579,257 |
| Earnings per Share | | | | | |
| Basic Earnings per Share | 4.14 | 0.38 | 0.09 | 0.60 | 0.31 |
| Issued and paid-up 500,000,000 common stocks | | | | | |

Notes to the financial statements form an integral part of these statements.

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

CONSOLIDATED

BAHT

| | Notes | Shareholders' equity of the parent | | | | | | Total equity of the parent | Non-controlling interests | Total shareholders' equity |
|---|-------|------------------------------------|--------------------------|------------------------------|----------------|----------------------------|---------------|----------------------------|---------------------------|----------------------------|
| | | Issued and paid-up share capital | Premium on common stocks | Retained earnings (deficits) | | Other components of equity | | | | |
| | | | | Legal reserve | Unappropriated | | | | | |
| Beginning balances as at January 1, 2011 - before restated | 3 | 500,000,000 | 902,769,092 | 50,000,000 | 77,780,974 | - | 1,530,550,066 | 35,594,990 | 1,566,145,056 | |
| Cummulative effect of the change in accounting policy | | | | | (28,834,610) | | (28,834,610) | (301,447) | (29,136,057) | |
| Restated balances | | 500,000,000 | 902,769,092 | 50,000,000 | 48,946,364 | - | 1,501,715,456 | 35,293,543 | 1,537,008,999 | |
| Decrease in non-controlling interests | | | | | | | | | | |
| - subsidiary 's dividends paid to non-controlling interests | | | | | | | - | (4,821) | (4,821) | |
| Total comprehensive income (loss) for the year 2011 | | | | | 43,691,325 | | 43,691,325 | (8,850,199) | 34,841,126 | |
| Dividend payment | 22 | | | | (125,000,000) | | (125,000,000) | - | (125,000,000) | |
| Ending balances as at December 31, 2011 | | 500,000,000 | 902,769,092 | 50,000,000 | (32,362,311) | - | 1,420,406,781 | 26,438,523 | 1,446,845,304 | |
| Beginning balances as at January 1, 2012 | | 500,000,000 | 902,769,092 | 50,000,000 | (32,362,311) | - | 1,420,406,781 | 26,438,523 | 1,446,845,304 | |
| Increase (decrease) in non-controlling interests | | | | | | | | | | |
| - from share purchase from old shareholders | 14 | | | | | | - | (39,300,000) | (39,300,000) | |
| - from change in investments ratio of subsidiaries | | | | | | | - | 20,010,431 | 20,010,431 | |
| - subsidiary 's dividends paid to non-controlling interests | | | | | | | - | (4,821) | (4,821) | |
| Total comprehensive income (loss) for the year 2012 | | | | | 190,212,458 | | 190,212,458 | (1,602,809) | 188,609,649 | |
| Dividend payment | 22 | | | | (124,997,980) | | (124,997,980) | - | (124,997,980) | |
| Ending balances as at December 31, 2012 | | 500,000,000 | 902,769,092 | 50,000,000 | 32,852,167 | - | 1,485,621,259 | 5,541,324 | 1,491,162,583 | |

Notes to the financial statements form an integral part of these statements.

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

SEPARATE FINANCIAL STATEMENTS

| | | BAHT | | | | |
|--|-------|--|-----------------------------|-------------------|----------------|-------------------------------|
| | Notes | Issued and paid-up share capital | Premium on common stocks | Retained earnings | | Total shareholders' equity |
| | | | | Legal reserve | Unappropriated | |
| | | | | | of equity | |
| Beginning balances as at January 1, 2011 - before restated | | 500,000,000 | 902,769,092 | 50,000,000 | 278,272,807 | 1,731,041,899 |
| Cummulative effect of the change in accounting policy | 3 | | | | (21,875,897) | (21,875,897) |
| Restated balances | | 500,000,000 | 902,769,092 | 50,000,000 | 256,396,910 | 1,709,166,002 |
| Total comprehensive income for the year 2011 | | | | | 153,579,257 | 153,579,257 |
| Dividend payment | 22 | | | | (125,000,000) | (125,000,000) |
| Ending balances as at December 31, 2011 | | 500,000,000 | 902,769,092 | 50,000,000 | 284,976,167 | 1,737,745,259 |
| Beginning balances as at January 1, 2012 | | 500,000,000 | 902,769,092 | 50,000,000 | 284,976,167 | 1,737,745,259 |
| Total comprehensive income for the year 2012 | | | | | 301,127,481 | 301,127,481 |
| Dividend payment | 22 | | | | (124,997,980) | (124,997,980) |
| Ending balances as at December 31, 2012 | | 500,000,000 | 902,769,092 | 50,000,000 | 461,105,668 | 1,913,874,760 |

Notes to the financial statements form an integral part of these statements.

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (1/3)

FOR THE YEAR ENDED DECEMBER 31, 2012

| | BAHT | | | |
|--|---------------|---------------|-------------------------------|--------------|
| | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
| | 2012 | 2011 | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| PROFIT BEFORE INCOME TAX EXPENSES | 200,480,971 | 51,568,780 | 312,998,803 | 168,865,452 |
| ADJUSTMENTS TO RECONCILE PROFIT BEFORE | | | | |
| INCOME TAX EXPENSES TO NET CASH | | | | |
| PROVIDED FROM (USED IN) OPERATION : | | | | |
| Depreciation | 113,643,177 | 98,483,843 | 50,605,516 | 31,977,077 |
| Amortization of computer softwares | 1,918,111 | 1,865,495 | 1,890,441 | 1,833,425 |
| (Gain) loss on vessel and equipment disposal | 1,871,060 | (2,487,931) | (135,022) | (1,575,967) |
| Loss on unused equipment | 360,485 | 100,301 | - | - |
| Unrealized gain on investments in Open-end Fund | (4,467,866) | (3,095,762) | (80,537) | (61,262) |
| Doubtful debts | 686,233 | 295,046 | - | - |
| Bad debts | 454,237 | - | - | - |
| Loss from inventories destruction | 2,343,958 | - | 2,343,958 | - |
| Loss on diminution of inventories | 7,012,455 | 1,581,555 | - | - |
| Loss on diminution in investment | - | - | 6,600,000 | - |
| Share of (profit) loss from investments in associate | 6,697,832 | (2,108,913) | - | - |
| Dividend income | - | - | (2,995,179) | (2,995,179) |
| Tranferred loss of non-controlling interests | | | | |
| due to share purchase from old shareholders | 20,010,431 | - | - | - |
| Loss on unused non-current assets classified | | | | |
| as held for sale | - | 577,054 | - | - |
| Unrealized loss on exchange rates | 108,031 | 517,400 | 24,546 | 54,467 |
| Long-term employee benefit expenses | 3,290,156 | 5,911,940 | 1,611,311 | 4,038,152 |
| Interest income | (768,831) | (585,135) | (18,529,384) | (19,282,744) |
| Interest expenses | 65,135,288 | 48,696,653 | 16,826,004 | 8,862,934 |
| Amortization of withholding tax | 254 | 406 | - | - |
| Decrease in accrued income tax | - | (73,305) | - | - |
| PROFIT FROM OPERATIONS BEFORE CHANGES IN | | | | |
| OPERATING ASSETS AND LIABILITIES ITEMS | 418,775,982 | 201,247,427 | 371,160,457 | 191,716,355 |
| (INCREASE) DECREASE IN OPERATING ASSETS ITEMS | | | | |
| Trade and other receivables | (155,566,385) | 4,223,850 | (55,335,885) | (26,123,959) |
| Short-term investments | 15,905,531 | 161,586,239 | 29,381,093 | 204,860,913 |
| Unbilled receivables | (16,248,696) | 15,503,163 | - | - |
| Inventories | (209,204,336) | (432,625,020) | (40,695) | (20,254,387) |

Notes to the financial statements form an integral part of these statements.

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (2/3)

FOR THE YEAR ENDED DECEMBER 31, 2012

| | BAHT | | | |
|--|---------------|---------------|-------------------------------|---------------|
| | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
| | 2012 | 2011 | 2012 | 2011 |
| Construction contract in progress | - | 1,900,000 | - | - |
| Oil supplies | 347,397 | 431,039 | - | - |
| Advance payment to subcontractors | (1,305,214) | 1,759,640 | - | - |
| Other current assets | 3,406,712 | (3,443,403) | 3,213,055 | (2,878,561) |
| Other non-current assets | 61,600 | (20,100) | 58,600 | (29,100) |
| INCREASE (DECREASE) IN OPERATING LIABILITIES ITEMS | | | | |
| Trade and other payables | 121,543,907 | 11,504,086 | 20,785,106 | (701,698) |
| Unearned revenues from construction | 4,862,485 | (5,001,783) | - | - |
| Retention payables | (16,249,822) | 7,816,471 | (12,470,093) | 14,960,845 |
| Other current liabilities | 2,876,186 | 1,908,453 | 1,861,576 | (20,543) |
| Provision for long-term employee benefits | (1,168,023) | (6,747,515) | (798,023) | (5,541,533) |
| CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES | 168,037,324 | (39,957,453) | 357,815,191 | 355,988,332 |
| Income tax refunded | - | 3,589,179 | - | - |
| Income tax expenses paid | (14,215,066) | (23,100,374) | (12,082,723) | (17,701,170) |
| NET CASH PROVIDED FROM (USED IN) | | | | |
| OPERATING ACTIVITIES | 153,822,258 | (59,468,648) | 345,732,468 | 338,287,162 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| (Increase) decrease in short-term loans to related parties | - | - | (25,000,000) | 25,000,000 |
| Interest received | 768,831 | 585,135 | 18,529,384 | 19,282,744 |
| Dividend income from investments in subsidiary | - | - | 2,995,179 | 2,995,179 |
| Payment for shares purchase in subsidiary | | | | |
| from old shareholders | (39,300,000) | - | (39,300,000) | - |
| Purchase of property, plant, vessel and equipment | (172,248,840) | (445,615,357) | (135,188,572) | (333,643,542) |
| Interest payment for plant construction and | | | | |
| equipment installation | (6,301,113) | (5,952,522) | (3,389,362) | (2,701,296) |
| Proceeds from disposal of vessel and equipment | 14,980,028 | 2,877,157 | 157,935 | 1,821,299 |
| Increase in intangible assets | (747,549) | (107,503) | (725,050) | (62,002) |
| Payment deposit on assets | (11,923,737) | (13,164,107) | (10,019,236) | (12,624,107) |
| Payment assets payable | (27,264,192) | (8,213,990) | (21,630,908) | (5,321,860) |
| NET CASH USED IN INVESTING ACTIVITIES | (242,036,572) | (469,591,187) | (213,570,630) | (305,253,585) |

Notes to the financial statements form an integral part of these statements.

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (3/3)

FOR THE YEAR ENDED DECEMBER 31, 2012

| | BAHT | | | |
|---|---------------|---------------|-------------------------------|---------------|
| | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
| | 2012 | 2011 | 2012 | 2011 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Increase (decrease) in bank overdrafts and | | | | |
| short-term loans from financial institutions | 442,052,260 | 638,524,567 | 100,000,000 | (50,000,000) |
| Interest expenses paid | (71,436,984) | (41,564,139) | (18,467,765) | (7,664,205) |
| Increase in long-term loans from financial institutions | - | 241,206,810 | - | 199,327,810 |
| Payment for long-term loans from financial institutions | (231,853,081) | (121,749,000) | (100,000,000) | - |
| Dividend payment | (124,997,980) | (125,000,000) | (124,997,980) | (125,000,000) |
| Subsidiary dividend paid to non-controlling interests | (4,821) | (4,821) | - | - |
| NET CASH PROVIDED FROM (USED IN) | | | | |
| FINANCING ACTIVITIES | 13,759,394 | 591,413,417 | (143,465,745) | 16,663,605 |
| NET INCREASE (DECREASE) IN CASH AND | | | | |
| CASH EQUIVALENTS | (74,454,920) | 62,353,582 | (11,303,907) | 49,697,182 |
| CASH AND CASH EQUIVALENTS AS AT JANUARY 1, | 163,726,937 | 101,373,355 | 68,641,272 | 18,944,090 |
| CASH AND CASH EQUIVALENTS AS AT DECEMBER 31, | 89,272,017 | 163,726,937 | 57,337,365 | 68,641,272 |

ADDITIONAL DISCLOSURE ITEMS TO

CASH FLOWS STATEMENTS

Non-cash flows items consist of :

| | | | | |
|--|------------|------------|------------|------------|
| Assets payable for plant and equipment | 2,118,759 | 28,710,707 | 1,360,606 | 21,630,908 |
| Tranferred inventories to equipment | - | 222,743 | - | 222,743 |
| Settlement of short-term loans from the capital increase | | | | |
| of subsidiary | - | - | 80,000,000 | - |
| Tranferred deposit to plant and equipment | 15,212,029 | 18,138,113 | 14,672,029 | 13,622,113 |
| Decrease in investments in associate due to | | | | |
| the changes in accounting policy of associate | - | 405,487 | - | - |

Notes to the financial statements form an integral part of these statements.

ASIAN INSULATORS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. GENERAL INFORMATION

| | |
|--|--|
| 1.1 Company status | A juristic person established under Thai law and listed on the Stock Exchange of Thailand. |
| 1.2 Company location Factory location | 254 Serithai Road, Kwaeng Kannayao, Khet Kannayao, Bangkok. 99 Moo 2, Asia Highway Road, Km. 70-71 Tambol Banmor, Amphur Promburi, Singburi Province. |
| 1.3 Type of business | 1. Producing and selling porcelain insulators and electrical equipment. 2. Invested in associated and subsidiary companies which operate business according to Notes 13 and 14 to the financial statements. |

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

- 2.1 These consolidated and the separate financial statements are prepared in accordance with the Accounting Standards and Financial Reporting Standards determined by Federation of Accounting Professions under the Accounting Profession Act, B.E. 2547 (2004), the Accounting Act, B.E. 2543 (2000) and the Notification of the Office of the Securities and Exchange Commission.
- 2.2 The consolidated financial statements included the financial statements of Asian Insulators Public Company Limited and its subsidiaries and its equity in associate as follows :

| COMPANIES | % HOLDING | |
|---|-----------|-------|
| | 2012 | 2011 |
| Associate | | |
| PPC Asian Insulators Company Limited | 25.10 | 25.10 |
| Subsidiaries | | |
| AI Engineering Services Company Limited | 99.84 | 99.84 |
| AI Logistic Company Limited | 97.94 | 89.88 |
| AI Energy Company Limited | 98.00 | 93.14 |
| AI Ports and Terminals Company Limited | 99.00 | 92.53 |

- 2.3 Inter-company balances and significant transactions between the Company and the subsidiaries have been eliminated in the consolidation.
- 2.4 These financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.
- 2.5 New accounting standards not yet effective

The new accounting standards which are effective to the financial statements beginning on or after January 1, 2013 are as follows:

| | | | |
|---|----|----------------|---|
| TAS | 12 | Income Taxes | |
| TAS | 20 | (revised 2009) | Accounting for Government Grant and Disclosure of Government Assistance |
| TAS | 21 | (revised 2009) | The Effects of Changes in Foreign Exchange Rate |
| TFRS | 8 | | Operating Segments |
| 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 or an Entity of its Shareholders |
| Accounting Treatment Guidance for Transfers of Financial Assets | | | |

Management of group companies believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except TAS 12 Income Taxes. The effect of changed in the past will be restated the financial statements. The management has estimated impact on the statements of financial position as at December 31, 2012, which will increase in consolidated assets amount of Baht 37.02 million, increase in retained earnings amount of Baht 36.52 million and increase in non-controlling interests amount of Baht 0.50 million and has impacted in the separate financial statements, increase in assets amount of Baht 4.22 million and increase in retained earnings amount of Baht 4.22 million.

The standards which are effective to the financial statements beginning on or after January 1, 2014 are as follows:

| | | |
|-------|----|---|
| SIC | 29 | Service Concession Arrangements: Disclosures |
| TFRIC | 4 | Determining Whether an Arrangement Contains a Lease |
| TFRIC | 12 | Service Concession Arrangements |
| TFRIC | 13 | Customer Loyalty Programmes |

Management of group companies is evaluating the impact of such accounting standards on the financial statements in the year when they are adopted.

3. CHANGE IN ACCOUNTING POLICY

In 2011, the Company and subsidiaries have used the new accounting standards in accordance with Thai Accounting Standard No. 19: Employee Benefits. To adopted this accounting policy, the Company and subsidiaries have chosen the perceived value of debt increase by adjusted to the beginning retained earnings of the period in the year 2011, for the consolidated financial statements in the equity holders of the parent amount of Baht 28.83 million, the non-controlling interests amount of Baht 0.30 million, and for the separate financial statements in amount of Baht 21.88 million.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenues and expenses recognition

The Company and subsidiaries recognize revenues from sales and services when the significant risks and rewards of ownership of the goods have passed to the buyer, and services are already rendered to customers.

Subsidiary recognizes revenues from construction contract under percentage of completion method. Current portion of additional income and other contracts with working period within one year are recognized in proportion to the completed construction and being billed for collection.

Subsidiary recognizes revenues from vessel operating on the proportion of time travelled compared with the total time to be taken of that trip.

Subsidiary recognizes revenues from loading of goods, revenue from warehousing and other services when those services are already rendered.

The Company and subsidiaries recognize other revenues and expenses on an accrual basis.

4.2 Cash and cash equivalents

Cash and cash equivalents are cash on hand and fixed deposit at the financial institutions due not more than 3 months from the date of acquisition with no obligation.

4.3 Short-term investments

Investments in Open-end Fund are considered as trading securities, stated at fair value. Cost of trading securities disposed during the year is calculated by the weighted average method.

4.4 Allowance for doubtful accounts

Subsidiaries set up allowance for doubtful accounts from the estimated loss which may be incurred where collection is doubtful.

4.5 Unbilled receivables

Unbilled receivables consist of the cost of materials and labour, cost of sub-contract, other services and expenses including both net profit or loss computed net from the amount collected from customers.

The contracts which have construction value more than amount billed to customers will be presented under current assets. For those contracts which have the amount billed more than the construction value will be presented as “Deferred construction revenue” under current liabilities.

4.6 Inventories

Finished goods and raw materials are stated at cost or net realizable value, whichever is the lower. Cost is determined by the weighted average method.

Goods in process are stated at average cost of raw materials plus wages and manufacturing expenses.

4.7 Oil supplies

Oil supplies stated at cost are calculated by the weighted average method.

4.8 Non-current assets classified as held for sale

Saleable assets are stated at book value or net fair value, whichever is the lower. The Company

and its subsidiaries set up the provision for diminution in saleable assets by estimating from the realizable sale value.

4.9 Investments

Investments in associate mean that company in which the group company has shareholding and significant influence over the group company. That is, the parent company has power to participate in determining the financial and operating policies of the enterprise but not up to the level of governing such policies. Investments in associate are stated by equity method for the consolidation and by cost method after provision for diminution in investment for the separate financial statements.

Investments in subsidiaries mean those companies in which the parent company in the group companies, directly or indirectly, has power more than one half of the total voting rights or power to govern the financial and operating policies of subsidiaries. Investments in subsidiaries are stated by cost method for the separate financial statements.

4.10 Property, plant, vessel and equipment

Property, plant, vessel and equipment are stated at cost. Depreciation for land improvement, plant, vessel and equipment is calculated by the straight-line method based on the estimated useful life of following assets:

| PARTICULARS | YEARS |
|--|--------------|
| No depreciation is provided on land and assets under construction and installation | |
| Land improvement | 5 |
| Building and structures | 20 |
| Building improvement | 10 |
| Utility systems | 5 |
| Machinery and accessories | 5-10 |
| Vessel and improvement | 3-10 |
| Tools and instruments | 5 |
| Office furniture and equipment | 5-10 |
| Motor vehicles | 5 |

4.11 Borrowing cost

The Company recorded the interest on loan for machinery construction as part of machinery under installation until they are ready for utilization according to its objective.

Subsidiaries recorded the interest on loan for factory building construction and machinery purchasing as part of factory building under construction and machinery under installation until they are ready for utilization according to its objective.

4.12 Intangible assets

Intangible assets are computer system development expenses and deferred computer softwares to be amortized by the straight-line method within 5 - 10 years.

4.13 Employee benefits

Short-term employee benefits

The Company and subsidiaries recognized salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Long-term employee benefits

The Company and subsidiaries provide a provident fund, which is a defined contribution plan, the assets of which are held in a separate trust fund and managed by the external fund manager. The provident fund is contributed by payments from employees and the Company and subsidiaries. Contributions to the provident fund are recorded to expense in the statements of comprehensive income in the incurred period.

The provision for employee retirement benefits is recognized as an expense of operations over the employee's service period. It is calculated by estimating the amount of future benefit earned by employees in return for service provided to the Company and subsidiaries in the current and future periods, with such benefit being discounted to determine the present value. The reference point for setting the discount rate is the yield rate of government bonds as at the reporting date. The calculation is performed by a qualified actuary using the Projected Unit Credit Method.

4.14 Basic earnings per share

Basic earnings per share is calculated by dividing the annual net profit by the number of weighted average common stocks held by outsiders during the years.

4.15 Foreign currency transactions

Foreign currency transactions are recorded in Baht at the rate ruling on the date of transactions. Outstanding foreign currency assets and liabilities at the end of the years are converted to Baht at the rate of exchange in effect on that date. Except the agreed rates of forward exchange contracts with the bank, will be recorded at fair value. Gains or losses on exchange rate are credited or charged to operations during the years.

4.16 Use of accounting judgments and estimates

In preparation of financial statements in accordance with generally accepted accounting standards requires management to use judgments on various estimates and assumptions that will affect the reported amounts of revenues, expenses, assets and liabilities including disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company and subsidiaries make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions of significant accounting relate primarily to allowance for doubtful accounts, provision for diminution in inventories, provision for diminution in investment, allowance for depreciation of plant, vessel and equipment, provision for long-term employee benefits. All other estimates mentioned above are further disclosed in the corresponding notes to the financial statements.

5. CASH AND CASH EQUIVALENTS

BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|---------------------------------|--------------|-------------|-------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| Cash | 390,444 | 417,104 | 145,000 | 145,000 |
| Check in hand | - | 1,013,500 | - | - |
| Savings account | 88,656,850 | 162,123,944 | 57,025,372 | 68,366,661 |
| Current account | 224,723 | 172,389 | 166,993 | 129,611 |
| Total cash and cash equivalents | 89,272,017 | 163,726,937 | 57,337,365 | 68,641,272 |

6. SHORT-TERM INVESTMENTS

BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|--|--------------|-------------|-------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| Investments in Open-end Fund-Debt securities | 169,285,926 | 182,095,695 | 3,087,109 | 32,406,940 |
| Add Allowance for adjustment | 4,467,866 | 3,095,762 | 80,537 | 61,262 |
| Investments in Open-end Fund - fair value | 173,753,792 | 185,191,457 | 3,167,646 | 32,468,202 |

Investments in Open-end Fund are trading securities. The unrealized gain from difference between fair value and cost is shown as allowance for investment adjustment in Open-end Fund. Gains on investments in Open-end Fund incurred during the years were duly presented in the statements of comprehensive income.

7. TRADE AND OTHER RECEIVABLES

BAHT

| PARTICULARS | CONSOLIDATED | | | | | |
|---|-------------------|-------------|-------------|-------------------|-------------|-------------|
| | 2012 | | | 2011 | | |
| | State enterprises | Others | Total | State enterprises | Others | Total |
| Trade accounts receivable | | | | | | |
| - Current | 159,126,719 | 223,074,956 | 382,201,675 | 115,694,457 | 166,433,475 | 282,127,932 |
| - Overdue within 3 months | 2,347,200 | 113,008,192 | 115,355,392 | 28,543,150 | 35,618,976 | 64,162,126 |
| - Over 3 to 6 months | 124,800 | - | 124,800 | - | 97,900 | 97,900 |
| - Over 6 to 12 months | - | - | - | - | 98,792 | 98,792 |
| - Over 12 months | - | 3,752,878 | 3,752,878 | - | 3,029,207 | 3,029,207 |
| Total trade accounts receivable | 161,598,719 | 339,836,026 | 501,434,745 | 144,237,607 | 205,278,350 | 349,515,957 |
| Less Allowance for doubtful accounts | - | (3,752,878) | (3,752,878) | - | (3,066,645) | (3,066,645) |
| Total trade accounts receivable | 161,598,719 | 336,083,148 | 497,681,867 | 144,237,607 | 202,211,705 | 346,449,312 |
| Retention receivables | 5,072,087 | - | 5,072,087 | 1,858,232 | - | 1,858,232 |
| Trade accounts receivable - net | 166,670,806 | 336,083,148 | 502,753,954 | 146,095,839 | 202,211,705 | 348,307,544 |
| Other receivables | - | 16,411,720 | 16,411,720 | - | 16,432,215 | 16,432,215 |
| Total trade and other receivables - net | 166,670,806 | 352,494,868 | 519,165,674 | 146,095,839 | 218,643,920 | 364,739,759 |

| PARTICULARS | SEPARATE FINANCIAL STATEMENTS | | | | | |
|-----------------------------------|-------------------------------|------------|-------------|-------------------|------------|-------------|
| | 2012 | | | 2011 | | |
| | State enterprises | Others | Total | State enterprises | Others | Total |
| Trade accounts receivable | | | | | | |
| - Current | 156,490,667 | 12,026,762 | 168,517,429 | 95,337,049 | 16,048,817 | 111,385,866 |
| - Overdue within 3 months | 2,347,200 | 41,756,958 | 44,104,158 | 28,012,600 | 18,872,020 | 46,884,620 |
| - Over 3 to 6 months | 124,800 | - | 124,800 | - | - | - |
| Total trade accounts receivable | 158,962,667 | 53,783,720 | 212,746,387 | 123,349,649 | 34,920,837 | 158,270,486 |
| Other receivables | - | 10,170,618 | 10,170,618 | - | 9,310,634 | 9,310,634 |
| Total trade and other receivables | 158,962,667 | 63,954,338 | 222,917,005 | 123,349,649 | 44,231,471 | 167,581,120 |

8. SHORT-TERM LOANS TO RELATED PARTIES

| PARTICULARS | 2012 | | | |
|---|------------------------|---------------------|--------------------------------|---------------|
| | AI Logistics Co., Ltd. | AI Energy Co., Ltd. | AI Port and Terminal Co., Ltd. | Total |
| Beginning principal balances | 129,000,000 | 200,000,000 | 120,000,000 | 449,000,000 |
| Add: Additional loans extended during the year | - | - | 75,000,000 | 75,000,000 |
| Less: Settlement during the year | (80,000,000) | (50,000,000) | - | (130,000,000) |
| Ending principal balances | 49,000,000 | 150,000,000 | 195,000,000 | 394,000,000 |
| Interest income | 4,854,329 | 6,450,685 | 6,848,014 | 18,153,028 |
| Interest rates | 4.50 % | 4.25 % | 4.50 % | 4.25 - 4.50 % |

The Company has settled loans from AI Logistics Company Limited amount of Baht 80 million by investing in the share capital increase (see Note 14).

| PARTICULARS | 2011 | | | |
|---|------------------------|---------------------|--------------------------------|---------------|
| | AI Logistics Co., Ltd. | AI Energy Co., Ltd. | AI Port and Terminal Co., Ltd. | Total |
| Beginning principal balances | 119,000,000 | 295,000,000 | 60,000,000 | 474,000,000 |
| Add: Additional loans extended during the year | 10,000,000 | - | 60,000,000 | 70,000,000 |
| Less: Settlement during the year | - | (95,000,000) | - | (95,000,000) |
| Ending principal balances | 129,000,000 | 200,000,000 | 120,000,000 | 449,000,000 |
| Interest income | 4,884,479 | 10,727,084 | 3,425,959 | 19,037,522 |
| Interest rates | 2.90 - 4.50 % | 2.90 - 4.50 % | 2.90 - 4.50 % | 2.90 - 4.50 % |

9. UNBILLED RECEIVABLES

BAHT

| CONSOLIDATED | | |
|---|--------------|---------------|
| PARTICULARS | 2012 | 2011 |
| Contract value | 143,855,210 | 181,418,719 |
| Recognition of income by the percentage of completion | 116,882,606 | 172,701,148 |
| Less Value of billing construction | (94,833,060) | (166,900,298) |
| Unbilled receivables | 22,049,546 | 5,800,850 |

10. INVENTORIES

BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|---|--------------|-------------|-------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Raw materials | 572,855,898 | 519,932,206 | 76,957,650 | 76,260,882 |
| Goods in process | 223,855,640 | 111,949,989 | 22,622,418 | 22,803,045 |
| Finished goods | 88,005,469 | 46,563,892 | 1,940,042 | 7,260,563 |
| Consumed supplies | 14,874,247 | 16,443,881 | 1,532,252 | 1,190,227 |
| Raw materials in transit | 2,159,092 | - | 2,159,092 | - |
| Total | 901,750,346 | 694,889,968 | 105,211,454 | 107,514,717 |
| Less Provision for diminution in inventories | (8,594,010) | (1,581,555) | - | - |
| Inventories - net | 893,156,336 | 693,308,413 | 105,211,454 | 107,514,717 |

11. OIL SUPPLIES

BAHT

| CONSOLIDATED | | |
|--------------|-----------|-----------|
| PARTICULARS | 2012 | 2011 |
| Bunker oil | 1,622,134 | 2,069,061 |
| Lubricants | 677,885 | 578,355 |
| Total | 2,300,019 | 2,647,416 |

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

BAHT

| CONSOLIDATED | 2010 | TRANSFER | 2011 | UNUSED | 2012 |
|--|-------------|-------------|----------|--------|----------|
| Non-current assets classified as held for sale | 1,631,452 | (1,613,108) | 18,344 | - | 18,344 |
| Less Allowance for diminution in value | (1,052,564) | 1,036,054 | (16,510) | - | (16,510) |
| Non-current assets classified as held for sale - net | | | 1,834 | | 1,834 |

BAHT

| SEPARATE FINANCIAL STATEMENTS | 2010 | TRANSFER | 2011 | UNUSED | 2012 |
|--|----------|----------|----------|--------|----------|
| Non-current assets classified as held for sale | 18,344 | - | 18,344 | - | 18,344 |
| Less Allowance for diminution in value | (16,510) | - | (16,510) | - | (16,510) |
| Non-current assets classified as held for sale - net | | | 1,834 | | 1,834 |

13. INVESTMENTS IN ASSOCIATE

BAHT

| ASSOCIATE | % HOLDING | | CONSOLIDATED BY EQUITY METHOD | | SEPARATE FINANCIAL STATEMENTS BY COST METHOD | |
|--|-----------|-------|-------------------------------|------------|--|--------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| PPC Asian Insulators Company Limited | 25.10 | 25.10 | 21,821,764 | 28,519,596 | 66,000,000 | 66,000,000 |
| Less Provision for diminution in investment | | | - | - | (39,600,000) | (33,000,000) |
| Investments in Associate - net | | | 21,821,764 | 28,519,596 | 26,400,000 | 33,000,000 |

BAHT

| ASSOCIATE | NATURE OF BUSINESS | PAID-UP SHARE CAPITAL | | DIVIDEND | |
|--------------------------------------|---|-----------------------|-------------|----------|------|
| | | 2012 | 2011 | 2012 | 2011 |
| PPC Asian Insulators Company Limited | Producing and distributing electronics insulators | 263,000,000 | 263,000,000 | - | - |

In 2012, the Company has additionally recorded on provision for diminution in investment in PPC Asian Insulators Company Limited amount of Baht 6.60 million due to its substantial consecutive losses.

The financial statements of PPC Asian Insulators Company Limited for the years ended December 31, 2012 and 2011, applied for recording the investments for using the equity method in the consolidated financial statements are based on the financial information audited by other auditor.

14. INVESTMENTS IN SUBSIDIARIES

BAHT

| SUBSIDIARIES | % HOLDING | | SEPARATE FINANCIAL STATEMENTS | |
|---|-----------|-------|-------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| AI Engineering Services Company Limited | 99.84 | 99.84 | 197,000,025 | 197,000,025 |
| AI Logistic Company Limited | 97.94 | 89.88 | 156,700,000 | 71,900,000 |
| AI Energy Company Limited | 98.00 | 93.14 | 351,616,000 | 333,616,000 |
| AI Ports and Terminals Company Limited | 99.00 | 92.53 | 252,450,000 | 235,950,000 |
| Total Investments in Subsidiaries | | | 957,766,025 | 838,466,025 |

| SUBSIDIARIES | NATURE OF BUSINESS | PAID-UP SHARE CAPITAL | | DIVIDEND | |
|---|---|-----------------------|-------------|-----------|-----------|
| | | 2012 | 2011 | 2012 | 2011 |
| AI Engineering Services Company Limited | Undertake construction and install electrical transmission power sub-station | 200,000,000 | 200,000,000 | 2,995,179 | 2,995,179 |
| AI Logistic Company Limited | Local and overseas logistics for passenger, merchandise, parcel and other materials | 160,000,000 | 80,000,000 | - | - |
| AI Energy Company Limited | Producing and distributing biodiesel, vegetable oil and other fuel oil | 370,000,000 | 370,000,000 | - | - |
| AI Ports and Terminals Company Limited | Producing and distributing ice and servicing port | 255,000,000 | 255,000,000 | - | - |

In February 2012, the Company has purchased the common stocks of three subsidiaries from old shareholders in par value, resulting the increase in shareholding proportion as follow :

THOUSAND BAHT

| COMPANIES | % HOLDING | | AMOUNT OF PAYMENT FOR SHARES PURCHASE |
|---|-----------|-------|---------------------------------------|
| | OLD | NEW | |
| AI Logistic Company Limited | 89.88 | 95.88 | 4,800 |
| AI Energy Company Limited | 93.14 | 98.00 | 18,000 |
| AI Ports and Terminals Company Limited | 92.53 | 99.00 | 16,500 |
| Total payment for shares purchase in subsidiaries from old shareholders | | | 39,300 |

Later in September 2012, AI Logistic Company Limited has increased the share capital in the amount of Baht 80 million at par value. The Company has invested the whole amount, resulting the increase in shareholding proportion to be 97.94%.

Consolidated financial statements for the years 2012 and 2011 included losses from investments in subsidiaries according to the Company's shareholding proportion amount of Baht 95.40 million and Baht 119.57 million, respectively.

15. PROPERTY, PLANT, VESSEL AND EQUIPMENT

BAHT

| CONSOLIDATED | Land | Land improve- ment | Building and improve- ment | Utility system | Machinery, equipment and instrument | Vessel and improve- ment | Office furniture and equipment | Vehicles | Fixed assets under construction and installation | Total |
|-----------------------------------|-------------|-----------------------|-------------------------------------|-------------------|--|--------------------------------|---|-------------|--|---------------|
| Cost | | | | | | | | | | |
| As at January 1, 2011 | 351,501,652 | 15,706,060 | 665,234,894 | 31,329,743 | 592,102,779 | 202,332,416 | 27,541,944 | 55,593,848 | 76,794,642 | 2,018,137,978 |
| Purchases | 1,325,805 | 266,000 | 1,076,474 | 13,654 | 6,874,221 | 3,712,449 | 589,476 | 5,612,560 | 473,216,280 | 492,686,919 |
| Interest payment for fixed assets | - | - | - | - | - | - | - | - | 5,952,522 | 5,952,522 |
| Sold and amortization | - | - | - | (6,119,917) | (1,061,659) | - | (521,058) | (1,506,916) | - | (9,209,550) |
| Transfer to/from | - | - | 44,865,100 | 16,153,797 | 1,213,516 | - | 275,000 | - | (62,507,413) | - |
| As at December 31, 2011 | 352,827,457 | 15,972,060 | 711,176,468 | 41,377,277 | 599,128,857 | 206,044,865 | 27,885,362 | 59,699,492 | 493,456,031 | 2,507,567,869 |
| Purchases | - | - | 2,424,645 | 988,350 | 13,354,642 | 5,436,341 | 1,376,091 | 5,298,049 | 160,701,510 | 189,579,628 |
| Interest payment for fixed assets | - | - | - | - | - | - | - | - | 6,301,113 | 6,301,113 |
| Sold and amortization | - | (900,000) | - | - | (2,966,657) | (30,841,863) | (116,150) | - | (14,000) | (34,838,670) |
| Transfer to/from | - | - | 198,697,342 | 275,000 | 321,598,711 | - | 2,287,669 | 5,993,271 | (528,851,993) | - |
| As at December 31, 2012 | 352,827,457 | 15,072,060 | 912,298,455 | 42,640,627 | 931,115,553 | 180,639,343 | 31,432,972 | 70,990,812 | 131,592,661 | 2,668,609,940 |
| Accumulated depreciation | | | | | | | | | | |
| As at January 1, 2011 | - | 15,685,666 | 123,495,906 | 25,231,855 | 281,433,609 | 67,186,897 | 21,828,767 | 26,908,559 | - | 561,771,259 |
| Depreciation for the year 2011 | - | 31,963 | 31,103,880 | 1,392,348 | 40,476,659 | 20,241,375 | 2,432,317 | 2,805,301 | - | 98,483,843 |
| Sold and amortization | - | - | - | (6,119,916) | (668,533) | - | (510,276) | (1,421,299) | - | (8,720,024) |
| As at December 31, 2011 | - | 15,717,629 | 154,599,786 | 20,504,287 | 321,241,735 | 87,428,272 | 23,750,808 | 28,292,561 | - | 651,535,078 |
| Depreciation for the year 2012 | - | 62,586 | 31,361,603 | 2,247,168 | 55,624,595 | 19,181,480 | 2,220,611 | 2,945,134 | - | 113,643,177 |
| Sold and amortization | - | (899,999) | - | - | (2,747,072) | (13,880,419) | (99,607) | - | - | (17,627,097) |
| As at December 31, 2012 | - | 14,880,216 | 185,961,389 | 22,751,455 | 374,119,258 | 92,729,333 | 25,871,812 | 31,237,695 | - | 747,551,158 |
| Net book value | | | | | | | | | | |
| As at December 31, 2011 | 352,827,457 | 254,431 | 556,576,682 | 20,872,990 | 277,887,122 | 118,616,593 | 4,134,554 | 31,406,931 | 493,456,031 | 1,856,032,791 |
| As at December 31, 2012 | 352,827,457 | 191,844 | 726,337,066 | 19,889,172 | 556,996,295 | 87,910,010 | 5,561,160 | 39,753,117 | 131,592,661 | 1,921,058,782 |

| SEPARATE FINANCIAL STATEMENTS | Land | Land improvement | Building and improvement | Utility system | Machinery, equipment and instrument | Office furniture and equipment | Vehicles | Fixed assets under construction and installation | Total |
|-----------------------------------|------------|------------------|--------------------------|----------------|-------------------------------------|--------------------------------|------------|--|---------------|
| Cost | | | | | | | | | |
| As at January 1, 2011 | 60,799,263 | 15,706,060 | 210,512,697 | 20,054,370 | 275,600,463 | 20,865,228 | 16,621,270 | 2,633,279 | 622,792,630 |
| Purchases | 776,905 | 16,000 | - | - | 4,284,836 | 340,937 | 3,346 | 363,697,282 | 369,119,306 |
| Interest payment for fixed assets | - | - | - | - | - | - | - | 2,701,296 | 2,701,296 |
| Sold | - | - | - | (6,119,917) | (729,653) | (507,338) | - | - | (7,356,908) |
| Transfer to/from | - | - | - | 3,915,846 | 3,729 | - | - | (3,919,575) | - |
| As at December 31, 2011 | 61,576,168 | 15,722,060 | 210,512,697 | 17,850,299 | 279,159,375 | 20,698,827 | 16,624,616 | 365,112,282 | 987,256,324 |
| Purchases | - | - | - | 979,000 | 4,488,166 | 1,182,016 | 1,320 | 144,570,705 | 151,221,207 |
| Interest payment for fixed assets | - | - | - | - | - | - | - | 3,389,362 | 3,389,362 |
| Sold | - | (900,000) | - | - | (2,324,157) | (76,728) | - | (14,000) | (3,314,885) |
| Transfer to/from | - | - | 203,539,289 | - | 305,327,129 | 2,287,669 | - | (511,154,087) | - |
| As at December 31, 2012 | 61,576,168 | 14,822,060 | 414,051,986 | 18,829,299 | 586,650,513 | 24,091,784 | 16,625,936 | 1,904,262 | 1,138,552,008 |
| Accumulated depreciation | | | | | | | | | |
| As at January 1, 2011 | - | 15,685,666 | 82,981,329 | 19,782,145 | 203,345,144 | 18,313,121 | 9,960,788 | - | 350,068,193 |
| Depreciation for the year 2011 | - | 13,470 | 10,525,635 | 589,383 | 18,257,781 | 1,261,773 | 1,329,035 | - | 31,977,077 |
| Sold | - | - | - | (6,119,916) | (492,136) | (499,524) | - | - | (7,111,576) |
| As at December 31, 2011 | - | 15,699,136 | 93,506,964 | 14,251,612 | 221,110,789 | 19,075,370 | 11,289,823 | - | 374,933,694 |
| Depreciation for the year 2012 | - | 12,586 | 14,559,737 | 968,399 | 32,629,901 | 1,280,745 | 1,154,148 | - | 50,605,516 |
| Sold | - | (899,999) | - | - | (2,317,548) | (74,425) | - | - | (3,291,972) |
| As at December 31, 2012 | - | 14,811,723 | 108,066,701 | 15,220,011 | 251,423,142 | 20,281,690 | 12,443,971 | - | 422,247,238 |
| Net book value | | | | | | | | | |
| As at December 31, 2011 | 61,576,168 | 22,924 | 117,005,733 | 3,598,687 | 58,048,586 | 1,623,457 | 5,334,793 | 365,112,282 | 612,322,630 |
| As at December 31, 2012 | 61,576,168 | 10,337 | 305,985,285 | 3,609,288 | 335,227,371 | 3,810,094 | 4,181,965 | 1,904,262 | 716,304,770 |

Under the terms of the loan contract, the Company can not pledge its assets as collateral for other loan (Negative Pledge).

Subsidiaries have mortgaged land, plant, port and terminal with structure and some machinery with the commercial bank as collateral for bank overdrafts and for short and long-term loans from the financial institutions with various commitments as specified in the loan contract, for example: the transfer of beneficiary to the lender, etc.

As at December 31, 2012 and 2011, land, plant, port and terminal with structure and some machinery of subsidiaries which used as collateral for loans from financial institutions having estimated net book value amount of Baht 791.40 million and Baht 815.85 million, respectively.

16. INTANGIBLE ASSETS

BAHT

| CONSOLIDATED | 2010 | Increase | 2011 | Increase | 2012 |
|--|--------------|-------------|--------------|-------------|--------------|
| Deferred computer softwares | 23,509,770 | 107,503 | 23,617,273 | 747,549 | 24,364,822 |
| Less Accumulated amortization of computer softwares | (11,818,680) | (1,865,495) | (13,684,175) | (1,918,111) | (15,602,286) |
| Deferred computer softwares-net | | | 9,933,098 | | 8,762,536 |
| Amortization expenses for the years | | | 1,865,495 | | 1,918,111 |

BAHT

| SEPARATE FINANCIAL STATEMENTS | 2010 | Increase | 2011 | Increase | 2012 |
|--|--------------|-------------|--------------|-------------|--------------|
| Deferred computer softwares | 23,024,559 | 62,002 | 23,086,561 | 725,050 | 23,811,611 |
| Less Accumulated amortization of computer softwares | (11,379,858) | (1,833,425) | (13,213,283) | (1,890,441) | (15,103,724) |
| Deferred computer softwares-net | | | 9,873,278 | | 8,707,887 |
| Amortization expenses for the years | | | 1,833,425 | | 1,890,441 |

17. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|--|---------------|---------------|-------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Bank overdrafts | 84,861 | 945,296 | - | - |
| Short - term loans from financial institutions | 1,662,912,695 | 1,220,000,000 | 400,000,000 | 300,000,000 |
| Total | 1,662,997,556 | 1,220,945,296 | 400,000,000 | 300,000,000 |

Bank overdrafts and short-term loans from financial institutions of subsidiaries are guaranteed by mortgaging land with structure of the subsidiaries (see Note 15), and jointly guaranteed by the Company.

18. TRADE AND OTHER PAYABLES

BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|---------------------------------|--------------|-------------|-------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| Trade accounts payable | 176,805,650 | 70,173,910 | 47,628,493 | 28,410,238 |
| Assets payable | 5,724,725 | 23,658,226 | 1,360,606 | 21,630,908 |
| Advance received from customers | 4,460,688 | 1,636,670 | 2,033,164 | 1,368,400 |
| Accrued expenses | 15,121,678 | 10,137,430 | 4,078,665 | 3,152,032 |
| Total trade and other payables | 202,112,741 | 105,606,236 | 55,100,928 | 54,561,578 |

19. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS AND CURRENT PORTION

| CREDIT LINE | REPAYMENT CONDITIONS | PRINCIPAL BALANCES (BAHT) | |
|---|--|---------------------------|---------------|
| | | 2012 | 2011 |
| Baht 200 million started on August 9, 2010 by Asian Insulators Public Company Limited | <ul style="list-style-type: none"> The principal will be repaid every three-month at minimum Baht 25.00 million with the first installment in March 2012 and will be finished within December 2013. Monthly payment of interest at 4.25 % per annum. | 99,987,810 | 199,987,810 |
| Long-term loans from financial institutions | Separate financial statements ** | 99,987,810 | 199,987,810 |
| <u>Less</u> Current portion of long-term loans | | (99,987,810) | (100,000,000) |
| Long-term loans from financial institutions-net | Separate financial statements | - | 99,987,810 |
| Baht 105 million started on November 22, 2007 by AI Logistic Company Limited | <ul style="list-style-type: none"> The principal will be repaid by monthly at minimum Baht 1.75 million with the first installment in April 2008 and will be finished within March 2013. Monthly payment of interest at MLR-1.25 per annum. | 5,250,000 | 26,250,000 |
| Baht 75 million started on November 22, 2007 by AI Ports and Terminals Company Limited | <ul style="list-style-type: none"> The principal will be repaid by monthly at minimum Baht 1.25 million with the first installment in April 2008 and will be finished within March 2013. Monthly payment of interest at MLR-1.25 per annum. | 6,250,000 | 21,250,000 |
| Baht 120 million started on November 22, 2007 by AI Ports and Terminals Company Limited | <ul style="list-style-type: none"> The principal will be repaid by monthly at minimum Baht 2.00 million with the first installment in April 2008 and will be finished within March 2013. Monthly payment of interest at MLR-1.25 per annum. | 13,000,000 | 37,000,000 |

| CREDIT LINE | REPAYMENT CONDITIONS | PRINCIPAL BALANCES (BAHT) | |
|--|---|------------------------------|---------------|
| | | 2012 | 2011 |
| Baht 90 million started on April 4, 2009 by AI Ports and Terminals Company Limited | <ul style="list-style-type: none"> - The principal will be repaid by monthly under condition and amount as specified in the agreement with the first installment in September 2009 and will be finished within August 2016. - Monthly payment of interest at MLR per annum. - Interest rate swap contracts to be fixed rate at 7.64% per annum from February 2012 until February 2015. | 53,240,000 | 67,760,000 |
| Baht 45 million started on April 28, 2009 by AI Ports and Terminals Company Limited | <ul style="list-style-type: none"> - The principal will be repaid by monthly under condition and amount as specified in the agreement with the first installment in September 2009 and will be finished within August 2016. - Monthly payment of interest at MLR per annum. - Interest rate swap contracts to be fixed rate at 7.64% per annum from February 2012 until February 2015. | 25,538,919 | 32,700,000 |
| Baht 200 million started on March 6, 2008 by AI Energy Company Limited | <ul style="list-style-type: none"> - The principal will be repaid by monthly under condition and amount as specified in the agreement with the first installment in April 2008 and will be finished within March 2013. - Monthly payment of interest at MLR-1.25 per annum. | 9,050,000 | 49,250,000 |
| Baht 13.75 million started on May 19, 2010 by AI Energy Company Limited | <ul style="list-style-type: none"> - The principal will be repaid by monthly under condition and amount as specified in the agreement with the first installment in June 2010 and will be finished within May 2017. - Monthly payment of interest at MLR-1.25 per annum. - Interest rate swap contracts to be fixed rate at 6.39% per annum from February 2012 until February 2015. | 8,657,700 | 10,625,700 |
| Baht 56 million started on September 16, 2011 by AI Energy Company Limited | <ul style="list-style-type: none"> - The principal will be repaid by monthly under condition and amount as specified in the agreement with the first installment in October 2011 and will be finished within September 2018. - Monthly payment of interest at MLR-1.25 per annum. - Interest rate swap contracts to be fixed rate at 6.40% per annum from February 2012 until February 2015. | 31,874,000 | 39,878,000 |
| Long-term loans from financial institutions | Consolidated (Total **) | 252,848,429 | 484,701,510 |
| Less Current portion of long-term loans | | (165,049,810) | (231,712,000) |
| Long-term loans from financial institutions-net | Consolidated | 87,798,619 | 252,989,510 |

The significant conditions under loan contract of group companies and the financial institutions are summarized as follows :

The Company

- The Company will not create any obligation to the assets of the Company (Negative Pledge).
- The Company will maintain the ratio of debt to equity not exceeding 1 : 1, and maintain the debt coverage ratio at minimum ratio of 1.5 : 1.

Subsidiaries

- The loan contract enables the subsidiaries to settle some or total loan by prior written notation at minimum 15 working days before the settlement date with the fee of prepayment at the rate 2 per cent of the settlement amount.
- The subsidiaries will not decrease their authorized capital or merging with other juristic persons, or setting up or investing in other juristic persons for substitute operation, or joint operation with other juristic persons for whatever reason, unless obtaining a prior written notation of approval from the lender.
- No dividend payment, whether interim or annual, or any compensation benefits to the shareholders, incase of debt to equity ratio exceeding 2 : 1.
- The subsidiaries agreed to transfer their rights, duty and any benefits according to the agreement including various relative collaterals according to the agreement to the creditors by providing the letter of consent for them.
- The subsidiaries will maintain the ratio of debt to equity not exceeding 2 : 1, and maintain the debt coverage ratio at minimum ratio of 1.2 : 1.

Long-term loans of subsidiaries have collateral by mortgaged land, plant, port and terminal with structure of subsidiaries (see Note 15), with jointly guaranteed by the Company.

Long-term loans due within one year were shown under current liabilities.

20. PROVISION FOR LONG-TERM EMPLOYEE BENEFITS

BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|---|--------------|-------------|-------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Defined benefit obligation | | | | |
| Balance as at January 1, | 27,894,996 | - | 20,372,516 | - |
| The perceived value of debt from applying the new accounting policy | - | 28,730,571 | - | 21,875,897 |
| Current service cost | 3,963,433 | 3,786,168 | 1,836,231 | 1,661,991 |
| Interest cost | 1,144,277 | 991,123 | 810,569 | 730,655 |
| Benefit paid during the year | (1,168,023) | (6,747,515) | (798,623) | (5,541,533) |
| Difference from provisions | (1,817,554) | 1,134,649 | (1,035,489) | 1,645,506 |
| Balance as at December 31, | 30,017,129 | 27,894,996 | 21,185,804 | 20,372,516 |

The principle assumptions used in determining the employee benefit liabilities are shown as follows:

| PARTICULARS | CONSOLIDATED | SEPARATE FINANCIAL STATEMENTS |
|-----------------------------|-------------------------|-------------------------------|
| Discount rate | 3.34 - 3.71 % per annum | 3.34 % per annum |
| Future salary increase rate | 1.50 - 5.00 % per annum | 1.50 - 3.00 % per annum |
| Average staff turnover rate | 5 % per annum | 5 % per annum |

21. LEGAL RESERVE

The Company has set up legal reserve which duly met 10% of authorized share capital, to be in compliance with the Public Company Act. This reserve is forbidden for dividend payment.

22. DIVIDEND PAYMENT AND DIRECTORS' REMUNERATION

On August 10, 2012, the Board of Directors' Meeting No. 3/2012 was held and had a resolution to pay interim dividend from the BOI business to the shareholders of 500 million shares at Baht 0.10 per share, amount Baht 50 million. The interim dividend was paid on September 7, 2012.

On April 4, 2012, the Ordinary General Shareholders' Meeting for 2012 was held and approved a resolution to pay dividend for 2012 from the BOI business operating result of year 2011 to the shareholders of 500 million shares at Baht 0.25 per share, amount Baht 125 million, of which the interim dividend was duly paid on September 7, 2011 at Baht 0.10 per share, amount Baht 50 million, and to pay additional dividend to the shareholders at Baht 0.15 per share, amount Baht 75 million. The dividend was paid on May 2, 2012. The Meeting also approved to pay the directors' remuneration for 2012 at the maximum of Baht 2.80 million.

On April 7, 2011, the Ordinary General Shareholders' Meeting for 2011 was held and approved a resolution to pay dividend for 2011 from the BOI business operating result of year 2010 to the shareholders of 500 million shares at Baht 0.25 per share, amount Baht 125 million, of which the interim dividend was duly paid on September 2, 2010 at Baht 0.10 per share, amount Baht 50 million, and to pay additional dividend to the shareholders at Baht 0.15 per share, amount Baht 75 million. The dividend was paid on May 6, 2011. The Meeting also approved to pay the directors' remuneration for 2011 at the maximum of Baht 2.80 million.

23. EXPENSES BY NATURE

BAHT

| FOR THE YEARS ENDED DECEMBER 31, | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|--|---------------|---------------|-------------------------------|-------------|
| | 2012 | 2011 | 2011 | 2011 |
| (Increase) decrease in change of finishes goods and work in progress | (153,347,228) | (51,711,858) | 5,501,148 | (4,804,237) |
| Work performed by the entity and capitalised | - | (222,743) | - | (222,743) |
| Raw materials and consumables used | 3,053,668,912 | 2,466,020,468 | 320,282,416 | 308,515,684 |
| Construction materials and subcontractors | 33,372,463 | 38,324,981 | - | - |
| Vessel operating expenses | 9,035,376 | 13,323,172 | - | - |
| Purchase of goods for sale | 637,751,315 | 43,871,583 | 21,269,441 | 18,827,189 |

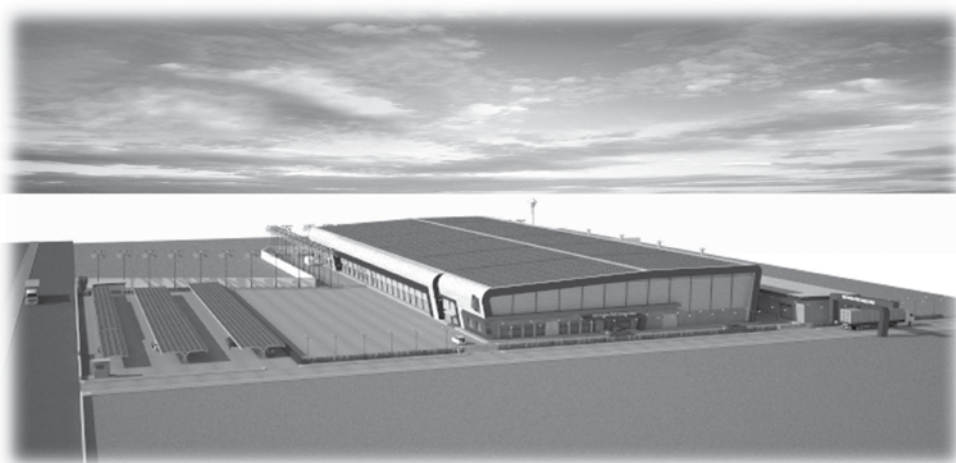
| FOR THE YEARS ENDED DECEMBER 31, | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|--|---------------|---------------|-------------------------------|-------------|
| | 2012 | 2011 | 2011 | 2011 |
| Director and management benefit expenses | 24,812,273 | 26,244,929 | 19,872,192 | 19,500,895 |
| Employee benefit expenses | 141,494,405 | 136,710,697 | 79,807,533 | 70,041,901 |
| Depreciation and amortization expenses | 115,561,288 | 100,349,338 | 52,495,957 | 33,810,502 |
| Finance costs | 67,533,258 | 51,066,095 | 17,695,175 | 9,793,513 |
| Loss from inventory destruction | 2,343,958 | - | 2,343,958 | - |
| Loss on diminution of inventories | 7,012,455 | 1,581,555 | - | - |
| Loss on diminution in investment | - | - | 6,600,000 | - |
| Loss on unused assets | 360,485 | 677,355 | - | - |
| Other expenses | 203,829,656 | 137,352,557 | 47,155,834 | 34,357,594 |
| Total expenses | 4,143,428,616 | 2,963,588,129 | 573,023,654 | 489,820,298 |

24. INCOME TAX

Corporate income taxes of the Company and its subsidiaries for the years ended December 31, 2012 and 2011 have been calculated from the accounting profit, adjusted with other revenues and some expenses which are exempted from income tax or being disallowable expenses in tax computation purposes.

The non-BOI business, the income tax computation of the Company and subsidiaries were calculated at the rate of 23 per cent for year 2012, and the rate of 30 per cent for year 2011.

The BOI business, the income tax computation of the Company and subsidiaries was calculated according to the promotional privileges which are granted (see also Note 26).



25. FOREIGN CURRENCY TRANSACTIONS

25.1 As at December 31, 2012 and 2011, the Company and subsidiaries have outstanding assets and liabilities denominated in foreign currencies which are not covered by any hedging as follows :

UNIT : THOUSAND

| PARTICULARS | CONSOLIDATED | | | | SEPARATE FINANCIAL STATEMENTS | | | |
|-------------------------------|--------------------|-------------------|--------------------|-------------------|-------------------------------|-------------------|------------------|-------------------|
| | 2012 | | 2011 | | 2012 | | 2011 | |
| | Foreign currencies | Converted to Baht | Foreign currencies | Converted to Baht | Foreign currencies | Converted to Baht | Foreign currency | Converted to Baht |
| Assets | | | | | | | | |
| USD | 8.51 | 259.29 | 85.17 | 2,687.15 | 8.33 | 254.04 | 3.96 | 124.81 |
| VND | 531.50 | 0.80 | 531.50 | 0.80 | - | - | - | - |
| Total | | 260.09 | | 2,687.95 | | 124.81 | | 124.81 |
| Liabilities | | | | | | | | |
| - Portion due within one year | | | | | | | | |
| USD | 246.20 | 7,577.49 | 237.89 | 7,572.50 | 183.36 | 5,643.36 | 108.80 | 3,463.31 |
| SGD | 146.50 | 3,667.50 | 293.00 | 7,211.93 | - | - | - | - |
| EUR | 41.50 | 1,695.70 | 88.18 | 3,645.29 | 41.50 | 1,695.70 | 88.18 | 3,645.29 |
| Total | | 12,940.69 | | 18,429.72 | | 7,339.06 | | 7,108.60 |

25.2 As at December 31, 2012, the subsidiary has entered into Selling Forward Exchange Contracts with the local commercial bank for hedging against any risk in exchange rates fluctuation which may affect to amount of Baht as follows :

UNIT : THOUSAND

| PARTICULARS | CONSOLIDATED | | | |
|------------------------------------|------------------|-------------------|---------------------------------|----------------|
| | Foreign currency | Fair value (Baht) | Estimated exchange rates (Baht) | Delivery dates |
| Year 2012 | | | | |
| Selling forward exchange contracts | | | | |
| USD | 1,846.00 | 56,638.05 | 30.6815 - 30.7506 | Feb. 2013 |

26. PROMOTIONAL PRIVILEGES

By virtue of the Investment Promotion Act, B.E. 2520 (1977), the Company and three subsidiaries were granted promotional certificates as follows:

| Companies | 1. Promotional certificates Nos. | 2. Effective dates | 3. To promote investment in business of | 4. Expiry dates according to items 5.1 and 5.2 |
|----------------------------------|----------------------------------|---------------------|---|--|
| Asian Insulators Plc. | 1025/2541 | January 24, 2001 | Producing porcelain insulators | January 23, 2009 |
| | 1115(2)/2548 | February 28, 2005 | Producing finished hybrid clay | February 27, 2013 |
| | 1116(2)/2549 | January 30, 2009 | Producing porcelain insulators | January 29, 2017 |
| | 1478(2)/2553 | June 12, 2012 | Producing porcelain insulators | June 11, 2020 |
| AI Logistics Co., Ltd. | 2029(2)/2549 | June 27, 2006 | Ship transportation | June 26, 2014 |
| | 1434(2)/2550 | June 11, 2007 | Ship transportation | June 10, 2015 |
| AI Ports and Terminals Co., Ltd. | 1373(2)/2552 | July 1, 2009 | Ports and terminals service | June 30, 2017 |
| | 1374(2)/2552 | August 7, 2009 | Ports and terminals service | August 6, 2017 |
| AI Energy Co., Ltd. | 1922(1)/2553 | Not yet implemented | Producing biodiesel | - |

5. Important privileges which are granted :

5.1 Exemption from corporate income tax on net profit of promotional operation for 8 years. Whereby the promotional certificates No. 1115(2)/2548, 1116(2)/2549, 2029(2)/2549, 1434(2)/2550, 1373(2)/2552 and 1374(2)/2552 have limited amount for corporate income tax exemption at maximum of Baht 11.01 million, Baht 75.18 million, Baht 66.26 million, Baht 107.00 million, Baht 303.49 million and Baht 200.00 million, respectively.

5.2 Exemption from income tax on dividend from promoted business which was exempted from corporate income tax as 5.1 through out the promotional period of all promotional certificates.

5.3 Allowance for reduction the corporate income tax from promotional net profit at 50% of normal rate since the exemption is expired as 5.1 for 5 years especially for promotional certificate No. 1025/2541 and 1922(1)/2553.

5.4 Allowance for double deduction of annual expenses of public utilities (electricity, water supply and transportation), commencing from the generating revenues date for 10 years of promotional certificate No. 1025/2541 and 1922(1)/2553.

5.5 Allowance to deduct the annual loss incurred during the income tax exemption period as 5.1 from the net profit since the expiry dates within 5 years, by which can be deducted from net profit of any year or several years of all promotional certificates.

As a promoted industry, the Company and subsidiaries must strictly comply with certain terms and conditions stipulated in the promotional certificates.

In March 2012, AI Logistic Company Limited has canceled the promotional certificates Nos. 1241(2)/2550, due to the Company has sold assets in the promotional certificates.

In 2012 and 2011, the Company and subsidiaries have sales, vessel operating, port and terminal service revenues from local and overseas which are granted the promotional certificates as follows :

BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|------------------|--------------|-------------|-------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Local revenues | 861,467,557 | 636,367,583 | 825,759,163 | 595,991,410 |
| Foreign revenues | 53,033,749 | 55,358,275 | - | 1,538,496 |
| Total | 914,501,306 | 691,725,858 | 825,759,163 | 597,529,906 |

27. PROVIDENT FUND

The Company and its subsidiaries have set up a provident fund for the employees under the Provident Fund Act, B.E. 2530 (1987), in order to be their welfare as well as security whenever resignation or retirement as defined by the Company's regulation, with partly contribute by its employees and another part by the Company at the rate 3 - 7 % on their salaries. The Company has also appointed Finansia Asset Management Company Limited to manage such fund.

The Company and subsidiaries' contributions for the employees provident fund and recorded as expenses in the statements of comprehensive income for the years ended December 31, 2012 and 2011 are as follows :

BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|---|--------------|-----------|-------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Asian Insulators Public Company Limited | 1,662,941 | 1,808,545 | 1,662,941 | 1,808,545 |
| AI Engineering Services Company Limited | 187,735 | 276,624 | | |
| AI Logistic Company Limited | 26,466 | 23,025 | | |
| Total | 1,877,142 | 2,108,194 | | |

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THOUSAND BAHT

| CONSOLIDATED | FOR THE YEAR ENDED DECEMBER 31, 2012 | | | | | | | | Total |
|---|--|-----------------------|------------------|--|----------------------------------|--------------------------|------------------|---------------|-------------|
| | Sale of porcelain insulators and component | Sale of raw materials | Sale of ice cube | Sale of biodiesel and vegetable oil and by product | Production contract of biodiesel | Construction undertaking | Vessel operating | Port services | |
| Revenues from sales and services | 700,145 | 158,973 | 28,710 | 3,349,677 | 18,165 | 42,724 | 28,584 | - | 4,326,978 |
| Cost of sales and services | (328,256) | (133,794) | (23,152) | (3,292,284) | (15,126) | (34,960) | (21,067) | (14,449) | (3,863,088) |
| Gross profit (loss) by segment | 371,889 | 25,179 | 5,558 | 57,393 | 3,039 | 7,764 | 7,517 | (14,449) | 463,890 |
| Non-allocation expenses | | | | | | | | | (212,807) |
| Profit from operation | | | | | | | | | 251,083 |
| Other income | | | | | | | | | 23,629 |
| Finance costs | | | | | | | | | (67,533) |
| Share of profit from investments in associate | | | | | | | | | (6,698) |
| Income tax expenses | | | | | | | | | (11,871) |
| Profit for the year | | | | | | | | | 188,610 |
| Profit (loss) attributable to | | | | | | | | | |
| Equity holders of the parent | | | | | | | | | 190,213 |
| Non-controlling interests | | | | | | | | | (1,603) |
| Property, plant, vessel and equipment -net | 712,180 | 4,000 | 20,093 | 629,876 | | 138 | 88,346 | 466,426 | 1,921,059 |

| FOR THE YEAR ENDED DECEMBER 31, 2011 | | | | | | | | | |
|---|--|-----------------------------|---------------------|---|---|-----------------------------|---------------------|------------------|-------------|
| CONSOLIDATED | Sale of porcelain insulators and component | Sale of raw materials | Sale of ice cube | Sale of biodiesel and vegetable oil and by product | Production contract of biodiesel | Construction undertaking | Vessel operating | Port services | Total |
| Revenues from sales and services | 368,199 | 256,200 | 25,716 | 2,171,933 | 64,763 | 51,566 | 54,346 | 33 | 2,992,756 |
| Cost of sales and services | (194,536) | (213,133) | (20,506) | (2,202,080) | (38,505) | (40,484) | (50,963) | (13,537) | (2,773,744) |
| Gross profit (loss) by segment | 173,663 | 43,067 | 5,210 | (30,147) | 26,258 | 11,082 | 3,383 | (13,504) | 219,012 |
| Non-allocation expenses | | | | | | | | | (138,778) |
| Profit from operation | | | | | | | | | 80,234 |
| Other income | | | | | | | | | 20,292 |
| Finance costs | | | | | | | | | (51,066) |
| Share of profit from investments in associate | | | | | | | | | 2,109 |
| Income tax expenses | | | | | | | | | (16,728) |
| Profit for the year | | | | | | | | | 34,841 |
| Profit (loss) attributable to | | | | | | | | | |
| Equity holders of the parent | | | | | | | | | 43,691 |
| Non-controlling interests | | | | | | | | | (8,850) |
| Property, plant, vessel and equipment-net | 600,301 | 5,534 | 19,838 | 624,921 | | 148 | 119,472 | 485,819 | 1,856,033 |

29. COMMITMENT AND CONTINGENT LIABILITIES

29.1 The Company and its subsidiaries have commitment and contingent liabilities as follows:

MILLION BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|--|--------------|--------|-------------------------------|-------|
| | 2012 | 2011 | 2012 | 2011 |
| Letters of guarantee issued by commercial bank | 307.11 | 253.50 | 109.23 | 76.52 |
| Letters of credit | - | 33.54 | - | 33.54 |

29.2 As at December 31, 2012 and 2011, the Company and subsidiaries have capital commitment as follow:

MILLION BAHT

| PARTICULARS | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|---|--------------|--------|-------------------------------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| The construction contract | - | 39.08 | - | 37.83 |
| The purchase of machinery and equipment | 35.21 | 80.70 | 30.10 | 80.17 |
| Total | 35.21 | 119.78 | 30.10 | 118.00 |

29.3 As at December 31, 2012 and 2011, subsidiary has outstanding commitments with major subcontractors and the purchase of construction equipment for construction work amount of Baht 19.14 million and Baht 11.98 million, respectively.

29.4 As at December 31, 2012 and 2011, the Company is the guarantor for bank overdrafts, short-term and long-term loans from financial institutions for subsidiaries (see Notes 17 and 19) totalling guarantee amount Baht 2,832 million and Baht 2,712 million, respectively, and two subsidiaries in the group have made inter-guarantee amount of Baht 410 million.

30. TRANSACTIONS WITH RELATED PARTIES

The Company has certain accounting transactions with related parties under the following relationship:

| RELATED PARTIES | RELATIONSHIP |
|---|------------------|
| 1. Associate | |
| PPC Asian Insulators Company Limited | See also Note 13 |
| 2. Subsidiaries | |
| AI Engineering Services Company Limited | See also Note 14 |
| AI Logistic Company Limited | See also Note 14 |
| AI Energy Company Limited | See also Note 14 |
| AI Ports and Terminals Company Limited | See also Note 14 |

The significant transactions with related parties are as follows:

30.1 Sales or services and expenses rendered to related parties for the years ended December 31,

| RELATED TRANSACTIONS IN STATEMENTS OF COMPREHENSIVE INCOME | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|--|--------------|-------------|----------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Sales of products and raw materials | | | | |
| PPC Asian Insulators Co., Ltd. | 3,875,614 | 5,666,403 | 3,806,027 | 5,577,520 |
| AI Engineering Services Co., Ltd. | - | - | 1,275,562 | 260,998 |
| AI Energy Co., Ltd. | - | - | 16,280,000 | 81,120 |
| AI Ports and Terminals Co., Ltd. | - | - | 3,071,000 | 15,400,000 |
| Sales of hybrid clay | | | | |
| PPC Asian Insulators Co., Ltd. | 153,697,235 | 236,137,956 | 153,697,235 | 236,137,956 |
| Dividend income | | | | |
| AI Engineering Services Co., Ltd. | - | - | 2,995,179 | 2,995,179 |
| Other income - rental | | | | |
| PPC Asian Insulators Co., Ltd. | 1,238,400 | 1,238,400 | 1,238,400 | 1,238,400 |
| AI Engineering Services Co., Ltd. | - | - | 456,000 | 456,000 |
| AI Logistic Co., Ltd. | - | - | 100,800 | 100,800 |
| Other income - services | | | | |
| PPC Asian Insulators Co., Ltd. | 1,471,630 | 1,463,878 | 1,471,630 | 1,463,878 |
| AI Engineering Services Co., Ltd. | - | - | 704,355 | 710,377 |
| AI Logistic Co., Ltd. | - | - | 466,213 | 461,382 |
| AI Energy Co., Ltd. | - | - | 1,114,965 | 2,672,141 |
| AI Ports and Terminals Co., Ltd. | - | - | 621,493 | 654,680 |
| Other income - interest income | | | | |
| AI Logistic Co., Ltd. | - | - | 4,854,329 | 4,884,479 |
| AI Energy Co., Ltd. | - | - | 6,450,685 | 10,727,084 |
| AI Ports and Terminals Co., Ltd. | - | - | 6,848,014 | 3,425,959 |
| Purchases of scrap clay | | | | |
| PPC Asian Insulators Co., Ltd. | 82,423,056 | 134,360,547 | 82,423,056 | 134,360,547 |
| Purchase of consumed supply | | | | |
| PPC Asian Insulators Co., Ltd. | 52,380 | 186,030 | 52,380 | 186,030 |
| AI Energy Co., Ltd. | - | - | 76,800 | 70,136 |

The inter-transactions are in accordance with general normal trading conditions or the mutual agreement.

Sale of hybrid clay and repurchase of scrap clay with PPC Asian Insulators Company Limited are under the mutual agreement as the Company has to repurchase the scrap clay under the agreed price and condition.

30.2 Balances of receivable, payable and accrued income from sales, purchase and service rendered to related parties

| RELATED TRANSACTIONS IN STATEMENTS OF FINANCIAL POSITION | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|---|--------------|------------|----------------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Trade accounts receivable | | | | |
| PPC Asian Insulators Co., Ltd. | 46,226,334 | 29,040,192 | 46,226,334 | 29,040,192 |
| AI Ports and Terminals Co., Ltd. | - | - | 1,306,470 | - |
| Related parties receivable | | | | |
| PPC Asian Insulators Co., Ltd. | 8,232,555 | 4,256,698 | 8,232,555 | 4,256,698 |
| AI Engineering Services Co., Ltd. | - | - | 15,967 | 9,971 |
| AI Logistic Co., Ltd. | - | - | 2,500 | 1,894 |
| Short - term loans to related parties | | | | |
| AI Logistic Co., Ltd. | - | - | 49,000,000 | 129,000,000 |
| AI Energy Co., Ltd. | - | - | 150,000,000 | 200,000,000 |
| AI Ports and Terminals Co., Ltd. | - | - | 195,000,000 | 120,000,000 |
| Electrical system installation and supervising construction of factory | | | | |
| AI Engineering Services Co., Ltd. | - | - | 17,990,192 | 33,344,847 |
| Sales of equipment | | | | |
| AI Ports and Terminals Co., Ltd. | - | - | 40,000 | - |
| AI Ports and Terminals Co., Ltd. | - | - | 60,800 | - |
| Accounts payable | | | | |
| PPC Asian Insulators Co., Ltd. | 27,893,371 | 16,663,708 | 27,893,371 | 16,663,708 |
| Related parties payable | | | | |
| AI Engineering Services Co., Ltd | - | - | - | 11,619,592 |
| AI Energy Co., Ltd. | - | - | 32,400 | 34,536 |
| Retention payable | | | | |
| AI Engineering Services Co., Ltd | - | - | 2,488,752 | 1,058,271 |

31. DISCLOSURE OF FINANCIAL INSTRUMENTS

The Company and subsidiaries have information relating to financial instruments both in and off statements of financial position as follows :

31.1 Accounting policies

Accounting policies are disclosed in Note 4 to the financial statements.

31.2 Risk from breach of contracts

- Due to the contracting party does not follow the requirement in the contract which caused damage to the Company and subsidiaries.
- The credit risk with respect to the concentration of trade accounts receivable consists of
- Revenue of the Company and its subsidiaries resulting from sale, production contract, construction contract and vessel operation to few major customers but very high proportion.
- Revenue of subsidiaries resulting from sale and services to the small business customers has no

concentration of credit risk, because they have a large number of customers.

- For the financial assets shown in the statement of financial position, the book value of such assets is net from various provisions to be estimated fair value. Such provisions are assumed to be the highest value of risk incurred from breach of contracts.

31.3 Risk relating to interest rate of financial assets and liabilities

Risk from the fluctuation in interest rate may have negative effect to the Company and subsidiaries for the current and the following years. The Company expects that it can manage the contingent risk, due to the Company has set a plan and follow up the situation closely.

31.4 Risk from currency exchange rate

The Company and subsidiaries have risk from the fluctuation of foreign exchange rates, due to some debtors and creditors arisen from the trading in foreign currencies. The Company and subsidiaries will provide the forward exchange contract, in case of Baht currency is highly fluctuated and it is appropriate for the situation.

31.5 Fair value of financial instruments

The following methods and assumptions are used to estimate the fair value of the financial instruments.

- Financial assets shown at book value which are equal to the estimated fair value.
- Financial liabilities shown at book value which are equal to the estimated fair value. Loans carrying interest rates close to the market rate.

32. CAPITAL MANANGMENT

The objectives of the Company and its subsidiaries' capital management are to maintain their ability to continue as a going concern and to maintain appropriate capital structure. In addition, they have to maintain debt to equity ratio as stipulated in loan agreements.

The Company and its subsidiaries have debt to equity ratios as follow :

| PARTICULAR | CONSOLIDATED | | SEPARATE FINANCIAL STATEMENTS | |
|----------------------|--------------|----------|-------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Debt to equity ratio | 1.46 : 1 | 1.31 : 1 | 0.31 : 1 | 0.35 : 1 |

33. TAX DISPUTES

In 2009, the Company received notification from the Department of Revenue to clarify the issues in taking expenses from the promotional certificates in calculating income tax for the year 2004. The Company had submitted point of discussions and additional documents to the Revenue Department. Later in May 2010, the Company received summons under the Revenue Code from the Revenue Office to examine the above issues.

During year 2012, the Company has received notification of the final outcome of the aforementioned issues from the Revenue Office. No damage caused from such disputes.

34. FINANCIAL STATEMENTS APPROVAL

These financial statements have been duly approved by the Company's directors on February 20, 2013.

Corporate Social Responsibility Activities

As a manufacturer operating in accordance with good corporate governance principles, Asian Insulators Public Company Limited does business ethically for the betterment of society and environment. The Company acknowledges our responsibility to society and the environment and has been involved in various social contribution activities that are also responsible through our personnel.



The Provincial Electricity Authority and the Metropolitan Electricity Authority visit factory on 21 June 2012



Asian Insulators has support as a sponsor for our customers products performance study and sport activities such as Basketball. Also supported as a sponsor for charity golf which is organized by our customers such as the Provincial Electricity Authority and the Metropolitan Electricity Authority.



Asian Insulators Group



Asian Insulators Public Company Limited
PPC Asian Insulators Company Limited
AI Engineering Services Company Limited
AI Ports and Terminals Company Limited
AI Logistics Company Limited
AI Energy Company Limited

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