



บริษัท ควอลิตี้เทค จำกัด (มหาชน)

Qualitech Public Company Limited



ANNUAL REPORT 2010



Accurate, Safe and Quality oriented

www.qualitechplc.com

Financial Summary

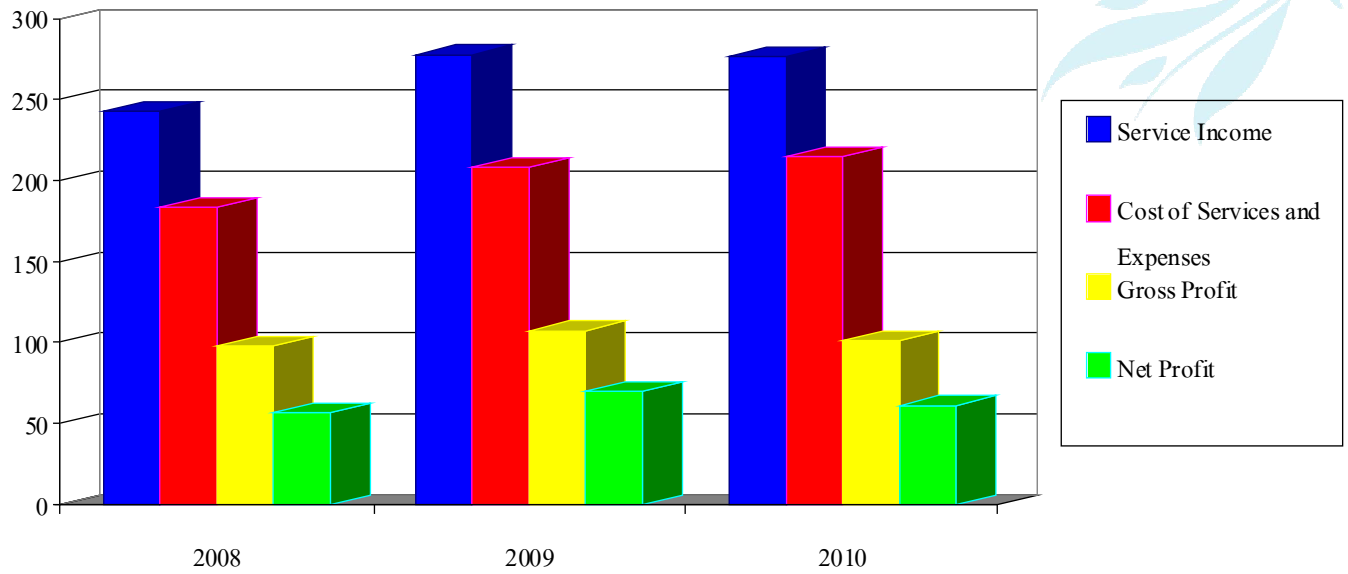
	2008	2009	2010
Statement of Income (Million Baht)			
Service Income	243.33	278.15	276.96
Cost of Services and Expenses	183.55	208.00	215.40
Gross Profit	98.04	107.58	101.20
Net Profit	57.01	70.01	61.27
Balance Sheets (Million Baht)			
Total Assets	169.03	238.15	266.24
Total Liabilities	39.25	30.00	28.32
Total Shareholders' Equity	129.78	208.15	237.92
Financial Ratio			
Gross Profit Ratio (%)	40.29	38.68	36.54
Net Profit Ratio (%)	23.43	25.17	22.12
Return on Equity (%)	57.70	41.43	27.47
Return on Total Asset (%)	37.99	34.39	24.30
Debt to Equity Ratio (times)	0.30	0.14	0.12
Earnings Per Share			
Basic Earnings Per Share (Baht)*	0.86	0.86	0.68
Diluted Earnings Per Share (Baht)**	0.63	0.78	0.68
Book Value Per Share (Baht)	1.85	2.31	2.64

* Number of shares outstanding computed using weighted average method

** Computed from 90,000,000 shares outstanding

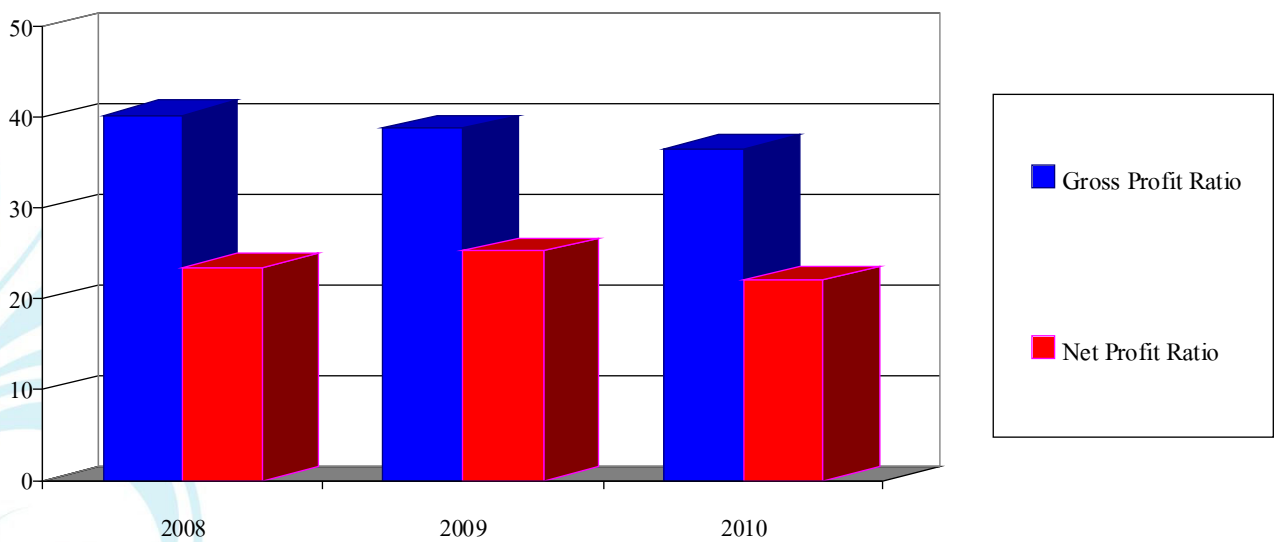
Million Baht

Financial Summary



%

Financial Ratio



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Vision

To undertake a safety engineering business in providing metal inspection and testing as Thailand's leading company and to gain recognition in the South East Asia region as a company which conducts its business professionally, securely, progressively and achieves international standards while maintaining good governance in order to provide most satisfaction, reliability and quality to the customers.

Message from Board of Director



Dear all shareholders,

In year 2010, the domestic economic indicated the high fluctuations due to the political situation and the impact from global economic crisis. It led to the slowdown of local business investment and caused the company could not achieve to the target as planned.

As a result, the company needed to closely monitor, evaluate the situation and adjust the business strategy in year 2010, appropriately. By the business strategy adjustment, it caused the total revenue in year 2010 of 278.78 million baht; in which it is very close to the total revenue in year 2009. Eventhough, the growth target in year 2010 could not be reached as planned; the company still focused and continuously improved the service quality and well-qualified personnel. A part of improvement is on the establishment of the new department, called “Business Development and Quality” to improve the company’s business competitiveness in domestic and international markets; as well as develop the long-term sustainment of service quality. Moreover, the company also increased the investment on the advanced non-destructive testing equipment in the range of 20 million baht and started building the new two-floor office at Rayong Head Office to support the business expansion in Map Ta Phut Industrial Estate, Rayong Province. The new office expected to be completed by May 2011, is also planned to use as the training center for internal and external.

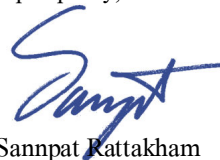
In year 2011, the company business plan is to focus on the existing customers and extend the bases to cover the international markets. The strategic approach for international market is to set-up the association with local partners to strengthen the local bases in the target countries and to reach the target customers, efficiently. The company planned to increase the investment on the advanced non-destructive testing techniques in accordance with the market growth and customer needs. In addition, the company set up a plan to manage the overhead cost more efficiently and find the opportunities for new businesses or new service-line investment. It is to diversify the revenue base of our future.

In the occasion of company’s 20-year anniversary on February 11th, 2011, on behalf of the Company’s Board of Directors, would like thank to our shareholders, customers, employees and all sponsors for the trustfulness and great support along the past decades. With the continous support from all parties, we are confident that the company will succeed to the goal and be a leading non-destructive testing company in Thailand. Finally, we are wishing you prosperity, health and wealth.



Mr. Natee Boonpatt

Chairman of the Board of Directors



Mr. Sannpat Rattakham

Managing Director



Report of Audit Committee

To all shareholders,

Board of Audit Committee of Qualitech Public Company Limited is comprised of the three independent members; who the elements of the committee and qualification are in accordance with the Notification of the Securities and Stock Exchange Commission of Thailand. The members are composed of Mr.Somyos Chiamchirungkorn, as chairman; Mr.Thinnakorn Seedasomboon and Mr.Sompong Songsaeng, as audit committee members.

In year 2010, the responsibilities and actions of the audit committee are summarized herewith;

1. To review the accuracy and reliability of the annual financial statements; in which the statements had been prepared in accordance with the general accounting standard and disclosed the sufficient information complied with the requirements referred to the Notification of the Securities and Stock Exchange Commission of Thailand.
2. To review the governance and operations of the company; in which the results in general indicated the principles of good corporate governance and set the good foundation for development.
3. To review and evaluate the risk report of the company; in which it disclosed the risk prepared by auditors and included the general circumstances of politics and economics.
4. To review the internal control and management systems of the company. The committee provided the appropriated recommendation for improving the efficiency and effectiveness of the system suited with the economic situation.
5. To review the annual report of the company internal audit; in which it indicated the good progress and summary of internal auditing system.

In addition, the committee has assessed the performance of auditing system and summarized a report to the board of directors for approval. In summary, the shareholders meeting appointed Mrs.Vilairat Rojnucharin, Certified Public Accountant No.3104, or Miss. Somjintana Pholhirunrat, Certified Public Accountant No. 5599 of D I A International Audit Co., Ltd to be the company auditor for year 2011 with the auditing fee within 700,000 Baht per year.

In year 2010, the committee conducted the meetings in total four times. The members had been participated and provided the comments and recommendations without any restriction or limited information. All meetings were succeeded with the good cooperation from the members and board of directors.

Your Faithfully,



Mr.Somyos Chiamchirungkorn

Chairman of the Audit Committee



1 Mr. Natee Boonparm
Chairman/Independent director

2 Mr. Sannpat Rattakham
Director / Executive director

3 Mr. Somchan Lubtikultham
Director / Executive director

4 Mr. Sumet Techachainiran
Director / Executive director

5 Mrs. Maneerat Rattakham
Director

6 Ms. Rashaneewan Rawirach
Director

7 Mr. Somyos Chiamchirungkorn
Chairman of the audit committee / Independent director

8 Mr. Tinakorn Seedasomboon
Audit committee / Independent director

9 Mr. Sompong Songsaeng
Audit committee / Independent director



Mission

Qualitech Public Company Limited will operate its professional businesses, with corporate governance, so that it would expand sustainably, progressively and with quality; in order to ensure that clients and the concerned parties will be impressed in the services which are accurate, trustworthy and safe.

Nature of Business

Company Data

Location and Branch

Company Name	Qualitech Public Company Limited.
Registered Capital	100 million Baht with 90 million Baht paid up
Type of Business	Non-Destructive Testing Inspection & Certification
Company's registration No.	0107550000220
Website	www.qualitechplc.com

Head Office 21/3 Banplong Road, Maptaphut,
Muang, Rayong 21150.
Tel. +66 3869-1408 to 10
Fax. +66 3869-2028

Branch Office 1/37 Moo 1, Nongchak,
Banbueng, Chonburi 20170
Tel. +66 3829-7302 to 6
Fax. +66 3829-7305

Registrar Thailand Securities Depository (Thailand) Co., Ltd.
62 The Stock Exchange of Thailand Building,
Rachadapisek Road, Klongtoey, Bangkok 10110
Tel. +66 2229-2800 Call Center. +66 2229-2888



Authorized Auditor

Miss Somjintana Polhirunrat
CPA Registration No. 5599
D I A International Audit Co., Ltd
316/32 Soi Sukumvit 22, Sukumvit Road,
Klongtoey District, Bangkok 10110
Tel. +66 2259-5300 Fax. +66 2260-1553

The Company also has 4 sub-branches for operating business at different organizations:

1. 302/4 Khaohinson Sub District, Phanomsarakarm District, Chachoengsao.
2. 125/5 Moo 9 Laemchabang by-pass Road, Surasak, Sriracha District, Chonburi.
3. 50 Soi Pattanakarn 57, Prawet District, Bangkok.
4. 188/122 Sukhumvit Road, Muang, Rayong District, Rayong.

Important Development**Year 1991**

- The company was founded on 11 February 1991 with registered capital of 2 million baht and its office in Bangkok.
- Obtained a certificate on qualification and competency of person who carry out test and investigation on cylinders, storage tanks and distribution tanks of LPG transportation cylinders, gas pipeline system and equipment; and obtained tester certificate from the Department of Public Works (now Department of Energy Business, Ministry of Energy).

Year 1992

- Carried out testing work on oil pipeline system for Italian-Thai Development Plc.:
 1. Fuel Pipeline Transportation Project/ FPT Project: 76 km. of 14" pipeline from Bangchak refinery to Bangkok Aviation Fuel Services Plc., Don Muang airport.
 2. Thai Petroleum Pipeline Project/ THAPP Project: 86 km. of 18" pipeline from Lam Luk Ka District oil depot to Saraburi Province oil depot.

Year 1993

- Mr. Sannpat Rattakham, Managing Director and Mr.Somchaan Lubtikultham, Deputy Managing Director obtained a certificate as a Level III experienced Non-Destructive Tester from the American Society for Nondestructive Testing (ASNT).

Year 1994

- Having considered the nature of the company's business, its clients and alliances, whose businesses are mainly located in the eastern part of Thailand, the Board of Directors decided to establish a office in Ban Bueng District, Chonburi Province and relocated some of its employees to the office in order to provide greater flexibility and reduce travelling cost from Bangkok to Chonburi and nearby provinces.

Year 1995

- Established an office in Maptaput District, Rayong Province, to provide services to clients in Maptaput Industrial Estate.
- Carried out testing work for PTT Plc. at Rayong gas separation plant.

Year 1999

- The company carried out Transmission Pipeline Testing work for PTT Plc. in the Ratchaburi-Wangnoi Transmission Pipeline, constructed by Saipem Asia Sdn Bhd.

Year 2000

- The company carried out testing and inspecting work for Unocal (Thailand) Co., Ltd. (Now Chevron (Thailand) Exploration and Production Co. Ltd.) on its pipeline system and equipment on oil platforms in Gulf of Thailand.

Year 2001

- Increased registered capital to 10 million baht to support the expansion of services and increased number of employees. The company also decided to relocate its headquarter from Bangkok to Ban Bueng District by expanding existed office in order to provide services to its clients located nearby and to provide adequate working space for employee (now a branch office).
- Obtained license for professional practice number 0031/44 from the Council of Engineers.

Year 2002

- Increased registered capital to 20 million baht to expand the company's business and to comply with regulation of the Department of Public Works which provides for companies that provide testing services on type-1 LPG cylinders.

Year 2004

- Services in Rayong Province expanded rapidly. The company, therefore, established a branch office in Muang Rayong District, Rayong Province, to provide services to clients in the Maptaput Industrial Estate in Rayong Province.
- Carried out Transmission Pipeline Testing work for PTT Plc. in the Trans-Thailand-Malaysia Pipeline and Gas Separation Plant Project constructed by Nacap Asia Pacific (Thailand) Co., Ltd.

Year 2005

- Carried out Transmission Pipeline Testing work for PTT Plc. in the Third Transmission Pipeline Project constructed by Nacap Asia Pacific (Thailand) Co., Ltd.
- Carried out additional Transmission Pipeline Testing work for PTT Plc. in the Sai Noi- Phra Nakorn Nua and Phra Nakorn Tai Power Plants Transmission Pipeline Project, constructed by Nacap Asia Pacific (Thailand) Co., Ltd.

- Carried out Transmission Pipeline Testiong work for PTT Plc. in the Wang Noi-Kaeng Khoi Project constructed by CPP-TRC Joint Venture.
- Contracted with ESSO (Thailand) Plc. to carry out pipeline system and equipment testing work at ESSO refinery in Sri Racha District, Chonburi Province for 5 years contract.

Year 2006

- Obtained a license from the Department of Land Transport, Mimistry of Transport, to carry out testing and inspection of LPG Tanks together with accessories.

Year 2007

- Increased registered capital to 50 million baht to expand the Rayong Office to cover 4 rais of land. The board of Directors, then, designated the Rayong office as the company's headquarter and designated the Ban Bueng office as its branch office.
- Registered as a public company on 12 December 2007
- Signed a Partner Agreement with Physical Acoustics Malaysia Sdn Bhd. (PAC) on provision of Advanced Non-Destructive Testing services by Acoustic Emission method.
- Be a firs company in Thailand to obtain a quality standard certificate ISO 17025:2005 on Thai Laboratory Accreditation Scheme (TLAS) on 18 October 2007

Year 2008

- Increased registered capital from 50 to 100 million baht.
- Obtained an internal management quality standard certificate ISO 9001:2000 on 31 January 2008 from Bureau Veritas Certification Company, which is recognised by leading companies, domestically and internationally, for its inspection and evaluation of companies in accordance with various regulations and standards

Year 2009

- Initial public offering of the company's common shares in MAI markets on 9 June 2009
- Obtained a license from the Department of Industrial Works to be engineering certifying agent for water boilers or boilers which use liquid as heat conductor

Year 2010

- In September 2010, the Company started to build the two-floor office at Rayong Head Office to support the business expansion in Map Ta Phut Insustrial Estate; Rayong Provinde. The new office is planned to use as the training center for internal and external related parties. It is expected to be completed by May 2011.
- Organization reconstruction by establishing the new department, called “Business Development and Quality” to increase the business competitiveness and sustain the high service quality.

Overview of business

The main business of Qualitech Plc. is the provision of third-party engineering services i.e. testing and giving engineering advices that meet the international standards, as an independent expert for various organizations for the purpose of inspection and quality assessment in accordance with the international standards as specified by the clients. The Company's provision of engineering services can be divided into 2 parts:

1. Non-Destructive Testing means the method of finding defects or malfunctions in the object without causing any damage to it.

2. Inspection and Certification is a continuous or add-on process from the Non-Destructive Testing by using different testing methods, including non-destructive testing, to inspect a object and assess the test as well as producing a report certifying the serviceability of the tested sample with a conclusion whether or not the it is suitable for usage. Inspection and certification includes, for instance, inspection and certification pursuant to the laws for LPG and NGV tanks, piping, boilers and fixed tanks.

The Company provides services to both domestic and foreign clients. The Company's main clients are businesses in the energy industry such as power plants, oil refineries, petrochemical plants, gas separation plants, gas filling plants and plants for manufacturing and installing machinery equipment; as well as users of tanks, machinery, equipment which must be inspected in accordance with the law to ensure safety such as boilers, cranes, LPG tanks, dangerous chemical tanks and high pressure tanks.

The clients for non-destructive testing and those of inspection and certification can be distinguished. 90 per cent of the clients for non-destructive testing belong to a group of project contractors, from which the Company is in turn contracted for NDT. As for inspection and certification, 70 per cent of the clients are project owners and the works are normally annual plant inspection and inspection for certification as required by law.

Income Structure

Unit: million Baht

Type of Work	2008		2009		2010	
	Amount	%	Amount	%	Amount	%
Non-Destructive testing	129.49	52.81	162.60	58.13	135.68	48.67
Inspection and Certification	113.84	46.43	115.55	41.31	141.28	50.68
Others	1.86	0.76	1.56	0.56	1.82	0.65
Total Income	245.19	100.00	279.71	100.00	278.78	100.00

Risk Factors

1. Risk from collection of payments from contractor

Company's customers can be classified into two major groups. The first one is the manufacturing owners (users); such as PTT, Chevron, ESSO, etc; in which the customers in this group hold the company revenue in the range of 50% and have no payment or credit problems. Another is the group of contractors. The customers in this group hold the company revenue in the range of 40%. Normally, in a large project, like oil refinery construction and gas pipeline installation, the project owner will contract a major or main contractor to carry out the project. Qualitech Plc is subcontractor for the part of engineering testing and inspection. In case where the main contractor did not complete the project, the Company could not therefore collect payment or the payment from the project owner would be overdue thus adversely affecting the Company's operation.

The Company has formulated a plan to mitigate the risk of default on payment in the future by carefully credit-assessing its clients. This is done through analysis of financial positions, assessing the sufficiency of registered capital when compared with the size of the project to be undertaken, as well as considering debt payment history by asking for information from the relevant parties. Moreover, the Company will consider classifying the grades of its debtors quarterly. Should there be any indication of delayed payment, the Company might ask the contractor to issue a letter to the project owner transferring contractor's debt directly to the project owner; or the Company might suspend the provision of services until the arrears are paid; or the Company might proceed by other means as it sees appropriate.

2. Personnel risk

The Company's business is provision of services which requires specific knowledge and expertise in inspection and engineering services work. Therefore, the Company depends on having staff with knowledge, expertise, testing skills and can accurately interpret test results. This is because a small error could lead to catastrophic damages to lives and properties. The loss of staff or staff's incompetence would adversely affect the Company.

The Company puts personnel development as its first priority, with a policy to enhance staff's knowledge development through domestic and overseas trainings. This includes a plan for the in-house training unit to train the staff using a curriculum which directly concerns non-destructive testing and other relevant curricula, such as safety in

the workplace. The Company has a strict staff selection policy to acquire qualified staff, which would enhance the Company's credibility and image. That being said, the Company has continuously been able to find and develop its personnel so that newly recruited staff has adequate knowledge and skills to replace those leaving the Company. At present, the Company has enough staff to provide its services and is constantly developing its personnel to support future expansion.

In addition, the Company has a policy of retaining skilled staff with remuneration at the rate of no lesser than the average rate in the same industry, and also providing health insurance and setting up a provident fund as the employees' benefits. The Company grants scholarships for the relevant fields of work. The Company expects that the aforesaid policy would be able to retain its staff.

3. Risk from service warranty

In providing the services on non-destructive testing, there will be a report on the test results in accordance with the international standard as well as evidence or supporting data like x-ray film for inspection by radiography. It is a report on the completeness or deflection of the sample tested. It is not a warranty or certification that the inspected sample is in the right condition for usage. Therefore, the Company does not bear the risk, in certifying, for the damage that may arise from the tested sample in the future. However, for inspection and certification services, the Company does inspect and certify serviceability of the sample tested by referring to the result of the non-destructive testing. Thus, there is a risk in case the sample certified by the Company caused damages and there was evidence of assessment errors. The Company might have to bear the responsibility for such damages.

The Company has a third-party insurance against damages resulting from accident with liability coverage of 30 million baht. Moreover, for each inspection and certification, the Company uses the staff with expertise and proceeds with caution and scrupulousness in line with the professional standards. The Company always assesses the satisfaction of individual client on the quality of work, quality of service, safety standards and etc. So far, the Company has not received any complaint. The Company is thus confident that the risk from certifying the work is a manageable risk.

4. Risk from international competitors following trade and engineering services liberalization

Trade liberalization policy including engineering services liberalization has opened up opportunities for competitors which are transnational companies to offer their non-destructive testing service to companies in Thailand. These transnational companies normally provide advanced non-destructive testing (NDT) service and charge substantially higher than Thai companies. The management thinks that entry into the market of transnational companies is beneficial for making advanced NDT better known and more widespread than now. Therefore, the Company has adapted itself by forming an alliance with a transnational company with expertise in advanced NDT in order to jointly provide services to clients. In so doing, the Company will be better known and can learn about the technology from its ally. This would prepare the Company for increasing competition in the future.

Structure of Shareholding and Management

Company Securities

The Company has a registered capital of 100 million baht as 100 million shares of common stocks, with a par value of 1 baht per share. It has common stocks which were issued and paid-up for 90 million baht, consisting of 90 million shares of common stocks.

Shareholding Structure

Rank	Name of Shareholders	December 31, 2010	
		No. of Shares	Percentage
1	Mr.Sannpat Rattakham Group ¹	21,054,200	23.39
2	Mr.Somchaan Lubtikultham Group ²	18,050,000	20.06
3	Mrs.Kulchirapas Touchkulisadej	10,091,000	11.21
4	Mr.Sumet Techachainiran Group ³	7,081,100	7.87
5	Khemwilad Family ⁴	7,000,000	7.78
6	Ms.Wimol Saetiao	3,500,000	3.89
7	Mr.Tawatchai Lipithorn	2,409,600	2.67
8	Thai NVDR Company Limited	2,375,300	2.64
9	CITIBANK NOMINEES SINGAPORE PTE LTD-UBS AG LONDON BRANCH-NRBS IPB CLIENT SEG	1,667,200	1.85
10	Ms.Rashaneewan Rawirach	1,600,000	1.78
Total top ten major shareholders		74,828,400	83.14
Total no. of shares		90,000,000	100.00

Remark :

¹ Mr.Sannpat Rattakham Group:

Name	No. of shares	% of paid-up shares capital
Mr.Sannpat Rattakham	12,600,000	14.00
Mrs.Maneerat Rattakham	4,254,200	4.72
Ms.Yanakorn Rattakham	4,200,000	4.67
Total	21,054,200	23.39

² Mr.Somchaan Lubtikultham Group:

Name	No. of shares	% of paid-up shares capital
Mr.Somchaan Lubtikultham	9,650,000	10.72
Mrs.Noï Lubtikultham	4,200,000	4.67
Mr.Somchart Lubtikultham	4,200,000	4.67
Total	18,050,000	20.06

³ Mr.Sumet Techachainiran Group:

Name	No. of shares	% of paid-up shares capital
Mr.Sumet Techachainiran	5,081,100	5.65
Ms.Natcha Techachainiran	2,000,000	2.22
Total	7,081,100	7.87

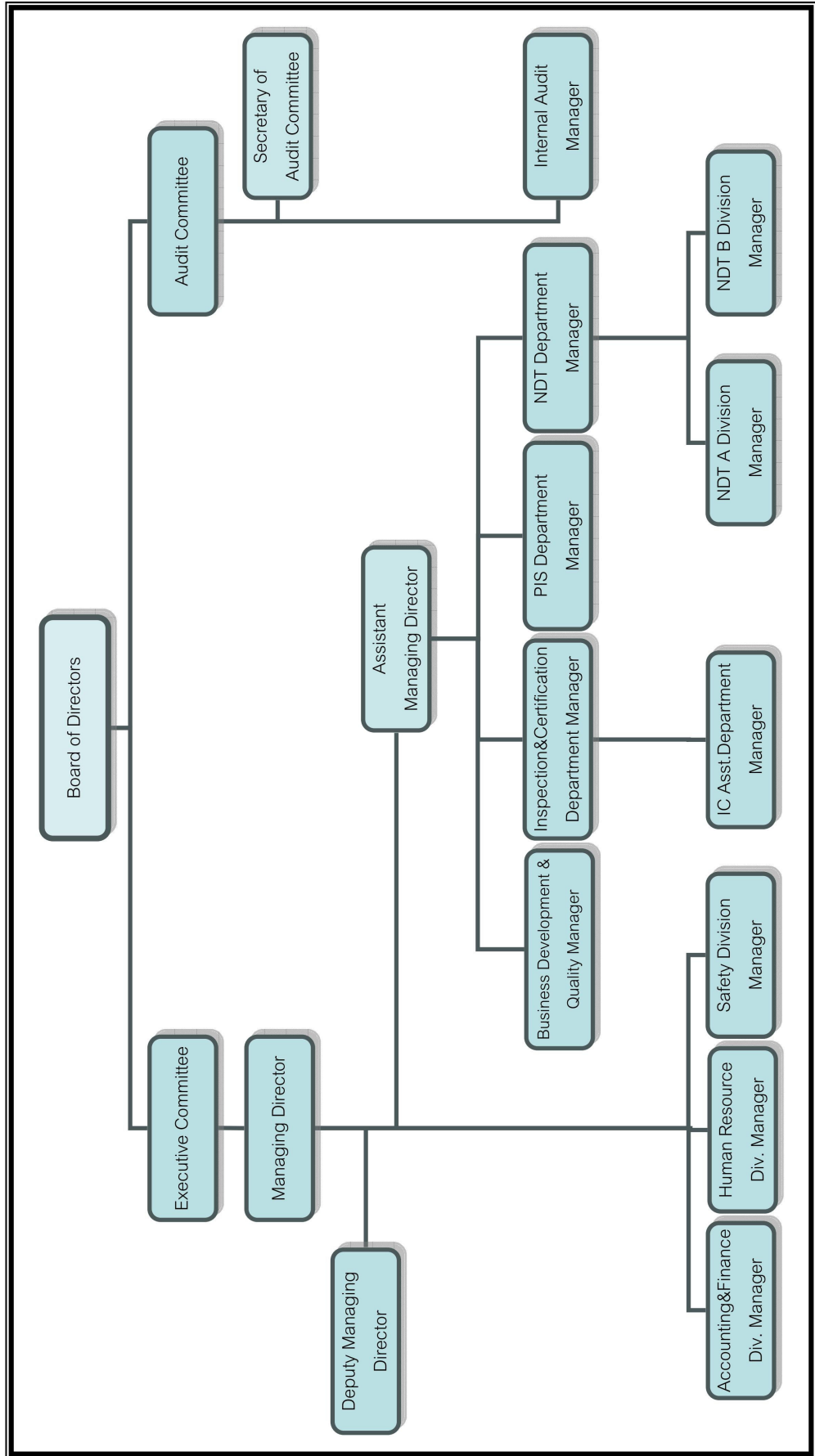
⁴ Khemwilad Family:

Name	No. of shares	% of paid-up shares capital
Ms.Pratum Khemwilad	3,850,000	4.28
Ms.Boontharik Khemwilad	3,150,000	3.50
Total	7,000,000	7.78

Policy on Payment of Dividends

The Company has a policy to pay dividends to the shareholders at the rate not less than 40 percent of net profit after deducting capital gains tax of juristic person and reserves under the law. However, the Company may require the payment of dividends at the lower rate than the abovementioned rate if it is necessary for the Company to use such net profit to further expand its business.

Organization Chart Qualitech Public Company Limited



Management Structure

The company management comprises 3 bodies: the Board of Directors, the Audit Committee and the Executive Committee. The details are as follows:

Board of Director

Rank	Name	Position	Education Qualifications	Training on the functions and skills of director
1	Mr.Natee Boonparm	Independent Director and Chairman	Master degree	DAP
2	Mr.Sannpat Rattakham	Director	Master degree	DAP
3	Mr.Somchaan Lubtikultham	Director	Master degree	DAP
4	Mrs.Maneerat Rattakham	Director	Bachelor degree	DAP
5	Mr.Sumet Techachainiran	Director	Master degree	DAP
6	Ms.Rashaneewan Rawirach	Director	Master degree	DAP
7	Mr.Somyos Chiamchirungkorn	Independent Director and Chairman of the Audit Committee	Master degree	DCP
8	Mr.Sompong Songsaeng	Independent Director and Member of the Audit Committee	Master degree	DAP
9	Mr.Tinakorn Seedasomboon	Independent Director and Member of the Audit Committee	Master degree	DAP,DCP,ACP

With Mrs.Maneerat Rattakham : Company's secretary

Authorized directors on behalf of the Company:

1. Mr.Sannpat Rattakham Managing Director
2. Mr.Somchaan Lubtikultham Deputy Managing Director
3. Mr.Sumet Techachainiran Assistant Managing Director

Two-third of whom to co-sign with the Company seal.

Term of office of directors:

At the Annual General Meeting each year, one-third of all the directors must resign. If the number is not a multiple of three, then the number nearest to one-third must resign. In the first and second year after the company registration, the retiring directors will be selected by drawing lots. In the following years, the most senior directors must resign. The resigned directors may be re-elected.

Scope of duties and responsibilities of the Board of Directors:

The Board has the powers, duties and responsibilities in managing the Company in accordance with the laws, objectives and regulations of the Company. The main powers, duties and responsibilities of the Board are as follows:

1. convene a shareholders' meeting – annual general meeting – within 4 months after the last date of the Company's accounting period;
2. convene a meeting of the Board of Directors at least 3 times a month;
3. produce the Company's balance sheet and earnings statement at the end of the Company's accounting period, which will be audited by the auditor and submitted to the shareholders' meeting for consideration and approval;
4. may authorize one or several directors or other person to act on behalf of the Board by being under the supervision of the Board; or authorize that person to have certain authorities within the period that Board deems appropriate. The Board may annul, revoke, modify or change the designation or the scope of authorization when it deems appropriate. Moreover, the Board may authorize the Executive Committee to act with the details of the authorization in accordance with the scope of authorization and duties of the Executive Committee, given that such authorization must not constitute an authorization to the Executive Committee or any authorized person to consider and approve the items in which the Board of Directors, the authorized person, concerned person or interested person have conflict of interests with the Company or its subsidiary; except that such authorization was approved according to the policy and criteria that the Board has considered and approved, which must be in accordance with the law;
5. determine the Company's goals, roadmaps, policies, work plans and budgets; control and supervise the management of the Executive Committee ensuring that it is in line with the given policies except for matters which the law requires that approval from the shareholders' meeting must be sought first, for instance capitalization, capital reduction, sale and ownership transfer of the Company in its entirety or its significant part to other party, purchase or ownership acquisition of other company by the Company, modifying the articles of association or regulation. Moreover, the Board has within its scope of duties to supervise the Company ensuring compliance with the laws on securities and stock exchange. The regulations of the stock exchange concern, for instance, connected transaction, purchase or sale of important assets pursuant to the regulations of the Stock Exchange of Thailand or the law relating to the Company's business;
6. consider the management structure, appoint the Executive Committee, managing director and other directors as deemed appropriate;
7. follow-up on the overall operation ensuring that it continuously goes according to the work plan and budgets;
8. a director must not operate a business of the same type as the Company's or is in competition with the Company; or is a partner in a general partnership, or is a general partner in a limited partnership, or is a director of a private company or other company of the same type as the Company's or is in competition with the Company, whether it is done for his/her or other party's benefits. The exception is when the shareholders' meeting had been informed prior to his/her appointment;

9. a director must promptly inform the Company if he/she had interest, whether directly or indirectly, in a Company's contract; or if the holding of shares or other properties of the Company or its affiliated company were increased or reduced;

Audit committee

1. Mr.Somyos Chiamchirungkorn as Chairman
2. Mr.Sompong Songsaeng as Member
3. Mr.Tinakorn Seedasomboon as Member of which have sufficient knowledge in accounting to review the reliability of the financial statement.

With Mrs.Wimal Saephung : Audit Committee's secretary

Term of office of audit committee member:

Audit committee chairman and members have a 3-year term. In case where an audit committee member resigns before the term expires, a replacement member will serve until the remaining term of the resigned member expires.

Qualifications:

Audit committee of the Company is independent according to the definition of independence of an independent director:

1. holds shares not exceeding than 1 per cent of the total shares with voting right of the Company, its parent company, subsidiaries, associates, or juristic persons that may have a conflict of interests, provided that the shares held by the related parties of such independent director shall be included;
2. is not a director, employee, staff, advisor who receives salary, nor controlling parties of the Company, its parent company, subsidiaries, associates, same-level subsidiaries, or juristic persons that may have a conflict of interests (presently and 2 years before taking office);
3. is not the person who has relationship by blood or affinity as father, mother, spouse, sibling, and child, as well as spouse of a child of management, major shareholders, controlling party or the person who is in the process of nomination to be the management or controlling party of the Company or its subsidiary;
4. has no business relationship with the Company, its parent company, subsidiaries, associates, or juristic persons that may have conflict of interests, which may obstruct of the independent judgment, including not being the major shareholder, non-independent director or management of any person having business relationship with the Company, its parent company, subsidiaries, associates, or juristic persons that may have conflict of interests;
5. is not the auditor of the Company, its parent company, subsidiaries, associates, or juristic persons that may have a conflict of interests, which may obstruct of the independent judgment, and is not the major shareholder, non-independent director or management of any person having business relationship with the Company, its parent company, subsidiaries, associates, or juristic persons that may have conflict of interests;

6. is not the professional service provider, including legal service or financial advisor that receives service fee of more than 2 million baht per year from the Company, its parent company, subsidiaries, associates, or juristic persons that may have a conflict of interests, and is not the major shareholder, non-independent director, management or managing partner of the professional service provider;
7. is not the director who is nominated to be the representative of the Company's Board of Directors, major shareholders, or any other shareholder related to the major shareholders;
8. is not any otherwise which renders him/her unable to have independent opinion;
9. is not the director who is assigned by the Company's Board of Directors to make decision in operating the Company, its parent company, subsidiaries, associates, same-level subsidiaries, or juristic persons that may have a conflict of interests, and is not a director of a registered company which is a parent company, subsidiary, associate or same-level subsidiary;
10. has the duties of the nature as stipulated in the Notification of the Stock Exchange of Thailand on the qualifications and scope of work of the audit committee.

Terms of reference and responsibilities of the Audit Committee:

1. verify that the Company accurately and adequately report on its quarter and annual financial statements by coordinating with the external auditor and management responsible for financial statement. The audit committee may propose that the auditor verify or audit any item deemed necessary and important during the Company's auditing;
2. verify that the Company has proper and effective internal control and internal audit system;
3. verify that the Company conforms with laws regarding securities and stock exchange, regulations of the stock exchange, or laws regarding businesses of the Company;
4. consider, select, propose an appointment, and propose remuneration to auditors of the Company;
5. consider accurately and completely disclosing the Company's information in case of connected transactions or items related to conflict of interests;
6. prepare an auditing report of the Audit Committee for disclosure in the annual report of the Company which must be signed by the Audit Committee Chairman;
7. conduct any other works as assigned by the Board of Directors with consent from the Audit Committee;
8. report the work of the Audit Committee to the Board of Directors at least every 3 months;
9. be empowered to audit and investigate on certain matters, as necessary, including seeking other independent professional opinions when deemed necessary, using the Company's expenses, in order to perform its duties and responsibilities successfully;

Executive committees

The Company's executive committee comprises 3 members:

- | | | |
|-----------------------------|----|-----------------------------|
| 1. Mr.Sannpat Rattakham | as | Managing Director |
| 2. Mr.Somchaan Lubtikultham | as | Deputy Managing Director |
| 3. Mr.Sumet Techachainiran | as | Assistant Managing Director |

Terms of reference and responsibilities of the executive committee:

The Executive Committee has the powers, duties and responsibilities in overseeing the Company's normal operation and management, determining policies, business plans, budgets, management structure and various management powers of the Company, as well as criteria in operating the business in light of the economic conditions, which will be submitted to the meeting of the Board of Directors for its consideration and approval and/or consent; together with inspection of and follow-up on the result of the Company's operation according to the specified policies.

The main duties and responsibilities are as follows:

1. operate and manage the Company's operation according to the objectives, regulations, policies, rules, requirements, orders and decisions of the Board of Directors and/or the decisions of the shareholders' meeting;
2. consider determining policies, directions and strategies of the Company's operation; determining financial budgetary plans, human resources management, investment, business expansion, public relations according to the framework approved by the Board of Directors; and supervise the performance of appointed working group, ensuring that it meets the set goals;
3. consider annual budget allocation as proposed by the managing unit, before submitting to the Board of Directors for consideration and approval, including consider and approve the modification and addition of annual expense budget while there is no meeting of the Board of Directors and submit it to the Board of Directors for approval or confirmation at the next meeting;
4. approve payment of the Company for purchasing raw materials in its normal business within the 50 million baht limit (fifty million baht only);
5. approve payment of the Company for purchasing equipment and fixed assets for normal operation within the 20 million baht limit (twenty million baht only);
6. approve the Company's sale and provision of services in its normal business such as approval for sale of merchandise and conclusion of hire contract in its normal business, within the 150 million baht limit (one hundred and fifty million baht only);
7. approve opening/closing of all types of deposit accounts with banks or financial institutions, and determine the conditions for money withdrawal or legal transactions of that deposit account;
8. approve on decision to get a loan or line of credit, to issue debt securities, to get an overdraft or other type of loan from a bank or financial institution or ordinary person, in its normal business, within the 50 million baht limit (fifty million baht only), including asking the bank to issue a letter of guarantee for the benefit of the Company's operation, within the 150 million baht limit (one hundred and fifty million baht only);
9. approve on decision to mortgage or place as collateral the Company's assets for the purpose of guaranteeing existing or future debts of the Company, within the 20 million baht limit (twenty million baht only);
10. approve on decision to buy and sell investment units, open-end government bonds fund or money market fund by submitting to the Board of Directors for their information in the next meeting;

11. approve payment for major investment stipulated in the annual expense budget, as authorized by the Board of Directors or as the Board of Directors has approved in principle;
12. act as advisory committee for the management unit on policies concerning finance, marketing, personnel management and other operations;
13. determine the organizational structure and organizational management power, including appointment, hiring, dismissal, transfer, determining wages, remunerations and bonuses for employees and executives;
14. have the power to authorize one or several members of the Executive Committee or other person to perform certain acts, by being under the supervision of the Executive Committee; or authorize that person to have certain authorities within the period that the Executive Committee deems appropriate, which the Executive Committee may annul, revoke, modify or change the designation or the scope of authorization as it deems appropriate;
15. perform other functions as assigned on a case-by-case basis by the Board of Directors.

The Executive Committee must not consider and approve items that it has interests in, or has conflict of interests with other company or its subsidiary, except where it is an approval of items in accordance with the policies and criteria considered and approved by the Board of Directors or the shareholders' meeting, and is in accordance with the law. The Board of Directors may annul, revoke, modify or change the authority of the Executive Committee by decision of the Board of Directors.

Moreover, the Executive Committee may authorize the Managing Director or the Company's staff to act, in accordance with the criteria that the Executive Committee has considered and approved. However, the authorization must not constitute an authorization for a person related with, having interests in or conflict of interests with other company or its subsidiary.

Terms of Reference and Responsibilities of the Managing Director

1. supervise operation and/or manage day-to-day work of the Company;
2. implement or carry out work in accordance with policy, plan and budget approved by the Board of Directors and/or Executive Committee of the Company;
3. act as an authorised person of the Company in managing Company's business to fully comply with objectives, articles of association, policies, regulations, rules, orders, decisions of shareholders' meeting and/or decisions of the Board of Directors and/or Executive Committee;
4. entrusted with power to authorise and/or designate any person to carry out specific task on his behalf. Such authorisation and/or designation shall be within the scope of the power entrusted and/or shall be in accordance with regulations, rules or orders stipulated by the Board of Directors and/or the Company;
5. regularly follow up and evaluate performance of the Company in order to reduce any risk of the Company caused by internal and external factors;
6. consider concluding contracts related to Company's business and other contracts benefiting Company's business, including formulating procedures and methods for the conclusion of such contracts to be submitted before the Executive Committee and/or the Board of Directors;

7. approve payment of Company's purchase in its normal business, such as purchasing raw materials and purchasing tools, equipments or permanent assets used in its operation within the 10 million baht limit (ten million baht only);
8. approve Company's sale, provision of services in its normal business, such as approving the sale of merchandises and approving the conclusion of hire contracts in normal business within the 50 million baht limit (fifty million baht only);
9. consider the allocation of emoluments, rewarded money or other remunerations as approved by the Board of Directors to staff, employees of the Company or to persons conducting business for the Company;
10. authorised to hire, assign and appoint as well as transfer staff to different chain/division/department, or to dismiss, determine wages, remunerations, bonus, welfare relating to all staff of the Company except for senior executives;
11. authorised to issue order, regulation, notification and memorandum to ensure that work has been undertaken in line with Company's policy and for Company's benefits, and that regulations and disciplines of the organisation have been observed; and
12. perform other functions as assigned on a case-by-case basis by the Board of Directors/the Executive Committee.

The Managing Director shall not approve any item that he/she has personal interest in or conflict of interests with the Company unless such approval has been made in accordance with the policy and criteria considered and approved by the Board of Directors or by the shareholders' meeting and in accordance with the laws. In this regard, the Board of Directors may annul, revoke, modify or change the power of the Managing Director by its unanimous vote.

Moreover, the Managing Director may delegate his power to a member of staff of the Company to perform functions in accordance with the details of the criteria for delegation of power as considered and approved by the Managing Director. In this connection, the power shall not be delegated to any person who is related to or has personal interest in or conflict of interests with the Company or its subsidiaries.

Selection of Directors and Executives

The Company does not have any specific committee to select directors and executives. In the process of selection of persons to be appointed as directors, their qualification, knowledge, capability, experience and time to be spent in the meeting with the Board of Directors will be taken into account. The shareholders' meeting will appoint directors by majority vote in accordance with the following criteria and method:

1. A shareholder shall have the number of vote corresponding to the number of share that he holds (one share, one vote);
2. In the process of selection of Company's directors, votes may be given to nominees individually or to several nominees at the same time, as the shareholders' meeting deems appropriate. In any voting, each

shareholder shall have the voting right as stipulated in item 1 above; however, the number of votes of the shareholder, no matter how many votes he has, shall be indivisible;

3. Majority rule shall be used in the selection of directors. If there is a tie, the Chairman of the meeting shall have an additional vote as a casting vote.

Remuneration of Directors and Executives

(1) Remuneration in cash

Remuneration of directors

The Annual General Meeting of shareholders for the year 2010, held on Monday, April 26, 2010 has determined the remuneration of Directors and Audit Committee for meeting allowances are as follows:

Position	Meeting allowances
<i>Board of Director</i>	
Chairman	15,000 Baht/per time
Director	10,000 Baht/per time
<i>Audit Committee</i>	
Chairman of the Audit Committee	12,000 Baht/per time
Member of the Audit Committee	10,000 Baht/per time

The Bonus of Directors did not exceed 0.50 percent of total revenue in 2010 by the Board of Directors determining the amount to be paid to each director.

Attendance of the Meeting of Board of Directors in 2010

No.	Name of the Board of Directors	Board of Directors (number of times)	Audit Committee (number of times)
1	Mr.Natee Boonparm	4/4	-
2	Mr.Sannpat Rattakham	4/4	-
3	Mr.Somchaan Lubtikultham	4/4	-
4	Mrs.Maneerat Rattakham	4/4	-
5	Mr.Sumet Techachairan	4/4	-
6	Ms.Rashaneewan Rawirach	4/4	-
7	Mr.Somyos Chiamchirungkorn	4/4	4/4
8	Mr.Sompong Songseang	3/4	3/4
9	Mr.Tinakorn Seedasomboon	4/4	4/4

Directors' Remunerations in 2010

No.	Name of the Board of Directors	Meeting allowances	Bonus	Total
1	Mr.Natee Boonparm	60,000.00	190,477.00	250,477.00
2	Mr.Sannpat Rattakham	40,000.00	126,984.00	166,984.00
3	Mr.Somchaan Lubtikultham	40,000.00	126,984.00	166,984.00
4	Mrs.Maneerat Rattakham	40,000.00	126,984.00	166,984.00
5	Mr.Sumet Techachainiran	40,000.00	126,984.00	166,984.00
6	Ms.Rashaneewan Rawirach	40,000.00	126,984.00	166,984.00
7	Mr.Somyos Chiamchirungkorn	96,000.00	152,381.00	248,381.00
8	Mr.Sompong Songseang	60,000.00	95,238.00	155,238.00
9	Mr.Tinakorn Seedasomboon	80,000.00	126,984.00	206,984.00
Total		496,000.00	1,200,000.00	1,696,000.00

Directorial remuneration summary for 2009 and 2010

Remuneration	2009		2010	
	Person	Baht	Person	Baht
Meeting allowances	10	516,000.00	9	496,000.00
Bonus	10	1,000,000.00	9	1,200,000.00
Total		1,561,000.00		1,696,000.00

Remunerations of the Executives

Eight executives at the level of manager of a division or more senior received remunerations, i.e. salary and bonus, from the Company totalling 14,651,824.86 baht in 2010.

(2) Other Remunerations

The Company set up a provident fund for its staff. Conditions for contribution to the fund are as follows:

Duration of work	Contribution rate (percentage)
From 1 year but less than 5 years	3.00
From 5 years but less than 10 years	6.00
From 10 years onwards	9.00

Corporate Governance

Qualitech Public Company Limited is well aware of the importance of compliance with the principle of good corporate governance for the operation of its business. Thus, the Board of Directors has implemented its policy on the directors of the Company to comply with the principle and best practices which are in line with the Code of Best Practices for Directors of Listed Company in accordance with the guidelines of the Stock Exchange of Thailand. In this connection, practicality is taken into account during the formulation of any relevant provision. Furthermore, the Company adopts the principle of good corporate governance as a guideline to develop its policy which covers rights and equality of shareholders and stakeholders, structure, role and function, responsibility and independence of directors, disclosure of information and transparency, risk control and management, as well as ethics in business. This is to ensure the efficiency and transparency of the management and operation of business of the Company. The principle of good corporate governance was adopted by the meeting of the Board of Directors of public company limited no. 1/2551 held on 19 January 2008 and was amended by the meeting of the Board of Directors no. 4/2551 held on 2 August 2008. The principle consists of the following 5 chapters:

Chapter 1 Shareholders' Rights

The Company is aware of and puts as priority the shareholders' rights by not acting in any way to violate or deprive of the rights of the shareholders and by supporting the shareholders to exercise their rights. Basic rights of the shareholders consist of purchasing, selling or transferring of share, receiving profit of the Company, receiving sufficient information and data of the Company, participating the meeting, including voting in the shareholders' meeting to remove director, appointing auditor, and participating in any matter that affects the Company, such as allocation of dividend, formulation or amendment of articles of association and memorandum of association, capital reduction or capitalisation, and approval of special programme.

In this regard, the Company will take the following actions to promote and facilitate the exercise of shareholders' rights:

- the Company tasks the Board of Director to issue written notification for shareholders' meeting comprising sufficient information prior to the meeting at least 7 days. Alternatively, it shall be in accordance with the criteria specified by the Security and Exchange Commission and the Stock Exchange of Thailand;
- during each shareholders' meeting, the Chairman of the meeting shall inform relevant rules of procedure of the meeting, including those relating to voting and allocation of sufficient time for the meeting;
- shareholders are allowed to submit questions or suggestion prior to the meeting as well as to express their opinion and file the question before the meeting. The relevant directors and executives shall attend the shareholders' meeting to answer the questions before the meeting;
- where a shareholder cannot attend the meeting, the Company allows the shareholder to authorise independent director or any person to attend the meeting as a proxy;
- the Company will record any important issue or opinion in the report of the meeting as a reference for the shareholders.

Chapter 2 Equal Treatment of Shareholders

The Company shall treat each shareholder, whether he/she is an executive, non-executive, foreign or minority shareholder, equally and fairly. The principles of such treatment are as follows:

- Minority shareholders are allowed to nominate any person to be appointed as a director within reasonable time in advance;
- The Board of Directors shall not include additional agendas of the meeting, which are unnecessary, without advance notice to the shareholders, particularly those important agenda that the shareholders need time to study information before making a decision;
- The Company does not permit the use of Company's data. Any agency holding Company's data is forbidden from disclosing such data to any unrelated agency or person. Disclosure or use of the data by the staff or executives for the benefit of their own or of other related person is considered as a serious wrongdoing and shall be subject to disciplinary punishment. In addition, the Company has a policy and method to scrutinise the directors and executives who use the data which is not yet disclosed to the public for their own benefit in buying or selling securities as stipulated in the topic: Supervision of Using of Internal Data;
- During the shareholders' meeting, directors and executives of the Company shall disclose data relating to their own interest in each agenda so that the Board of Directors will be able to consider transaction that may have conflict of interests and to decide for the benefit of the Company as a whole. The directors and executives who have such personal interest shall not be permitted to vote in the relevant agenda of the meeting.

Chapter 3 Role of Stakeholders

The Company places importance on the rights of every group of stakeholders and has a policy to treat each important group as follows:

Shareholders: the Company is committed to operate its business at its best by using knowledge and management skills and by upholding the values of honesty and fairness to both majority and minority shareholders for the benefit of the all shareholders as a whole, as well as by regularly disclosing complete and accurate data;

Staff: the Company will provide fair remunerations to the staff, maintain working environment that is safe for lives and properties, place importance on capacity building of the staff thoroughly and on a regular basis, strictly comply with laws and regulations relating to the staff, including omit any act that is unfair and may affect employment security of the staff, as well as treat members of the staff politely and respect their human dignity.

Customers: the Company is committed to deliver products and services with quality, meeting the standards, and at reasonable price, to strictly and regularly keep clients' secret, to endlessly look out for opportunities to benefit clients continuously and to strictly honour the conditions that it has with the clients.

Traders and Creditors: the Company shall not commit any fraud in dealing with traders and creditors and is committed to strictly comply with conditions that it has with the creditors, whether they are related to the purpose of payment, reimbursement, securities and guarantees and other matters that it has agreed with the creditors for their common interests.

Competitors: the Company shall comply with the rules of fair competition, shall not illegally and inappropriately seek for data that are competitors' trade secrets and shall not defame its trade competitors by maliciously making a false claim.

Society: the Company shall not act in any way that will cause damage to the society, natural resources and environment, shall seek for opportunities to support creative activities that benefit the society, and shall continuously and seriously raise the awareness of social responsibility to every level of its staff, as well as shall comply or supervise the compliance with the spirits of laws and regulations issued by regulators.

Chapter 4 Disclosure of Data and Transparency

The Company places importance on disclosure of data that is accurate, complete, transparent, timely and meets the standards in accordance with the criteria provided by the Stock Exchange of Thailand, altogether with financial report and general data, as well as other important data that may effect value of securities or procedures of decision making of Company's investors and stakeholders. This is to ensure that those related to the Company receive data equally. In this connection, the Company has publicized the data through the Stock Exchange of Thailand and website: www.qualitechplc.com.

The Board of Directors is aware of responsibility to financial report that is accurate, complete, true and reasonable. Company's budget is determined in accordance with certified accounting standards, with the suitable accounting policy. Record of accounting data must be accurate, complete and sufficient in order to help maintaining the assets and to acknowledge the weak points which will prevent material fraud and irregularity. The Company always

adheres to this practice, including sufficiently discloses of important data as appeared in the remark of the budget. Further, the Board of Directors also appoints audit committee to examine the financial report, check against the list and inspect internal audit system. In this regard, the audit committee will report the result of the examinations to the Board of Directors at every meeting of the Board of Directors. Details of the report of the Board of Directors, the audit committee and the report of the auditors will appear in the annual report.

As regards investors' relation, the Company is yet to establish a unit responsible for investors' relation; however, it has entrusted Mr.Sannpat Rattakham, Managing Director and Mr.Somchaan Lubtikultham, Deputy Managing Director to contact shareholders, analysts and other relevant people.

Chapter 5 Responsibility of the Board of Director

(1) Structure of the Board of Director

The Board of Directors consists of directors who are knowledgeable, competent and have experiences in business benefiting the Company. The Board of Directors is appointed by shareholders' meeting comprising 9 persons. Out of 9 persons, 4 persons are independent directors, 1 person is a Chairman of the directors, 3 persons are auditing directors, at least 1 of which must have sufficient knowledge in accounting to review the reliability of the financial statement. The Company requires that at least 1 out of 3 of all the directors, not less than 3 in total, must be independent director, acting on behalf of minority shareholders in examining and keeping the balance of business management of the Company to ensure soundness, fairness and maximum benefit of the shareholders.

The Chairman of the directors shall not be the same person as the Chairman of the Executive Committee and the Managing Director. This is to ensure check and balances of the management. In this connection, the Company clearly provides the terms of reference and responsibility of the directors of the Company, executive directors and the Managing Director to prevent the executive directors and the Managing Director exercising power in management and approving the budget without limitation.

(2) Subcommittees

The Board of Directors appoints subcommittees to supervise the business, namely:

- Executive Committee, not less than 3 persons, responsible for facilitating the management, with the terms of reference mandated by the Board of Directors;
- Audit Committee, not less than 3 persons, responsible for examining and supervising the operation of the Company, with the terms of reference mandated by the Board of Directors. Every member of the Committee shall possess the qualification as stipulated by the security and exchange law or by rules, notifications, orders or regulations of the Security and Exchange Commission in Thailand.

However, in the future, the Company may establish other committees responsible for the mandated tasks, assisting the Board of Directors in management work.

(3) Role, Duty and Responsibility of Directors

The Board of Directors is responsible for setting policy, vision, strategy, aim, mission, business plan and budget of the Company. It also supervises the management and management to be in line with the policy, efficiently and effectively under the laws, objectives and articles of association of the Company as well as the decisions of shareholders' meeting. The Board of Directors provides:

Policy for corporate Governance

The Board of Directors causes to have policy for corporate governance in writing. It shall regularly provide for revision and implementation of such policy at least once a year.

Business ethic

The Company arranges for codes of conduct relating business ethics for the Board of Directors, audit committee and practitioners in each unit. The principal issues relate to keeping Company's secret, acting in good faith and in accordance with the law, respecting of each other's rights and looking after of resources both within the Company and outer environment. The emphasis on business ethics will contribute to working in good faith. It will also help the internal supervision more efficiently, causing credibility to the capital market and building confidence to the investors.

Policy relating to conflict of interests

The Company sets a policy relating to conflict of interests on the basis that every member of staff shall perform their duty for the maximum benefit of the Company only. Any act or decision shall be without influence of personal desire whether coming from family or relatives or other persons known personally. The policy is set to cover 2 issues:

- Related transactions: the Company will carefully consider the suitability of every related transaction before taking action, including price determination and conditions of the related transaction, as if it was dealing on the arm's length basis. The audit committee will consider the necessity and reasonableness of the transaction. When the Company or affiliated companies concluded related transaction and if such is the transaction stipulated in "Notification of the Security and Exchange Commission of Thailand Re: Disclosure of Data and Conduct of Listed Companies in Related transactions 2003", the Company shall comply with the criteria, conditions and methods of that Notification, including disclosure of the transaction in the annual report and the annual data form for the transaction (form 56-1). This will cause the transparency in concluding the related transaction and eliminate problems arising out of conflict of interests and other situations that result in conflict of interests.
- Other Situations Resulting in Conflict of Interests
 1. In general investment, the Company does not permit its personnel being shareholders or deriving benefit from competitor companies or traders having business with the Company to engage in decision making in matters relating to business relation with such businesses except where the Board of Directors has approved;
 2. In receiving gifts, personnel at every level should not receive gifts, travel tickets, sport tickets, recreation proposals, accommodations or other personal proposals if such will lead to commitments to the Company or cause the Company to lose its benefit;
 3. In doing academic work, public services, being speakers or taking any position, personnel at every level of the Company can get approval from the director of their chain of work to work at academic institutions, to perform public services, to be speakers, or to take any position, such as company's

directors, consultants, that will help expanding vision and gaining experience of the personnel. However, the personnel shall not engage the Company or use their position at the Company with those activities except where permitted to do so.

Internal Audit

The Company has internal audit system ensuring confidence to the investors that the Company will conduct its business efficiently and building reliability to the financial statement. The Company has internal audit unit which will evaluate risks and review internal audit annually. Mrs. Wimol Saephung, an internal auditor of the Company, is a secretary to the audit committee who will, at least every 3 months, present the result of the internal audit to the committee for its consideration.

(4) Meeting of the Board of Directors

The Board of Directors of the company meets at least once in every 3 months and may have additional meetings where necessary. The board shall be furnished with the report of work every month so that it can supervise, control and look after the conduct of management continuously and promptly. Written invitation for the meeting will be sent to the directors for their consideration prior to the meeting at least 7 days except where it is necessary or urgent to protect Company's rights or benefit. The directors may request additional necessary detailed information from the secretary of the Company.

(5) Remunerations

The Company has a policy to set remunerations for the directors and auditing directors at the level that will be an incentive to maintain qualified directors as required. Remunerations will be at the level that is comparable with that of the same group of industry and relative to the result of the operation of the Company. The shareholders' meeting will approve remunerations of the directors.

Remunerations of the Managing Director and senior executives are set to fit with the terms of reference in accordance with criteria and policy set by the Board of Directors for the maximum benefit of the Company. Level of the remunerations, being salary, bonus and long-term incentive will be relative to the result of the Company and the performance of executives individually.

(6) Professional Development of Directors and Executives of the Company

The Board of Directors supports and facilitates training and education of those who are in Company's supervision system, such as directors of the Company, auditing directors and executives, for continuous professional development. Such training and education may be conducted within the Company or by other institutions.

At every time when a new director takes his post, the secretary of the Company shall arrange for documentation with useful data for the performance of the new director, and introduce the nature of the business and the trend of operation to the new director.

Supervision of Using of Internal Data

The Company has a policy and method to scrutinise the directors and executives who use the data which is not yet disclosed to the public for their own benefit in buying or selling securities as follows:

1. Educating the directors, including the executives on their duty to report of the holding of securities by themselves, their spouse and children under legal age, in accordance with Section 59 and the punishment provision, Section 275, of the Security and Exchange Act 1992;
2. The Company requires the executives to report to the Security and Exchange Commission of any change of the holding of securities in accordance with Section 59 of the Security and Exchange Act 1992 so that the Company will be able to scrutinise the buying and selling of all the executives;
3. The Company shall circulate a written notification to the executives informing that executives who are informed of important internal data which will influence on the change of securities' value shall cease the buying and selling of the securities of the Company within 1 month prior to the disclosure of budget or such data to the public. Further, they shall not disclose such important data to other people. Where it is found that personnel at the level of the Executive Committee use internal data in such a way that will cause damage to the Company or its shareholders, the Board of Directors will consider measures for punishment, as it deems appropriate. Where the person who commits such act is a less senior executive, the Executive Committee will consider measures for punishment of such person.

Internal Control

1 Sufficiency of Internal Control System

At the meeting of the Board of Directors of public company limited no. 1/2010 on 27 February 2010, attended by the Audit Committee, the board has evaluated the internal audit system by inquiring data from the management relating to the sufficiency of the internal audit system of the Company in 5 sectors, namely, organisation and environment, risk management, control of performance by the management, information and communication system and follow up system. After having evaluated, the board found that the Company has system for internal audit of majority shareholders, directors, executives or other people related to such persons sufficiently in place. The Company's internal audit system also covers all 5 sectors appropriately and sufficiently to prevent the executives from using of property inappropriately or without power. In addition, the Company's internal audit system is independent in pursuing and evaluating the result of internal audit. Moreover, the Company has a filing system of important documents that allows the directors, auditors and those authorised by law to inspect within reasonable time.

DIA, an audit firm of the Company, has examined the internal system in the year 2010 and found no important issue.

2 Policy on Procedures of Internal Audit

The Company sets up internal audit unit which is accountable directly to the audit committee quarterly in order to evaluate the potential, suitability and sufficiency of the current internal audit system, compliance with policy and relevant rules of practice as well as suitability and credibility of financial report of the Company. Internal auditors have examined procedures of work of the Company and provided remarks and advices to increase the potential of procedures of work. The executives have placed importance on and undertaken to completely improve according to the advices of the auditors within 2 months after the advices were given.

Related Transactions

Related transactions of the Company with persons who may be in conflict of interests that arose in the year 2010 are as follows:

Person/juristic Person who may be in conflict of interests	Relation	Nature and value of the transaction	Necessity and reasonableness
Duwell Intertrade Limited.	Shareholder and director of Duwell is the near relative with the director and shareholder of the Company	<p>Buying radiating and other disposable materials for the operation.</p> <p>2010 : 2.96 million baht 2009 : 2.25 million baht</p> <p>Buying tools and technical equipment for the operation</p> <p>2010 : 1.72 million baht 2009 : 0.37 million baht</p>	<p>Radiating and other disposable materials were bought from Duwell because it is the licensed distributor. The executives have compared prices of the same goods from other sources and found that the price of Duwell is lower or close to the price of other distributors. In this regard, the audit committee has examined such transaction and is of the opinion that it is reasonable and the low price benefits the Company.</p> <p>By ordering tools and technical equipment from Duwell in addition to those on the list of exemption of import tax by BOI, the Company benefits from the duration of payment which is longer than buying directly from</p>

Person/juristic Person who may be in conflict of interests	Relation	Nature and value of the transaction	Necessity and reasonableness
			<p>abroad and the buying price is not higher than the price that the Company can buy from other distributors.</p> <p>The audit committee has examined such transaction and found that it is reasonable because the Company benefits from the longer duration of payment than buying directly from abroad. It has also compared the price with other distributors'.</p>
Mr.Sannpat Rattakham	Director and shareholder	<p>Mr.Sannpat, in his personal capacity, guaranteed the hire-purchase agreement of car to be used for the operation.</p> <p>In the years 2010 and 2009, The remaining value is 0.55 million baht and 1.36 million baht respectively.</p>	<p>Mr. Sannpat provided, in his personal capacity, guarantee to the Company without receiving any return.</p> <p>The audit committee is of the view that such guarantee is reasonable and benefits the Company because the guarantor receives no return from such transaction.</p>
Mrs.Montha Chaiyabal	Near relative of the Company's directors and shareholders	<p>Renting 4-storey commercial building, No. 50 Soi Pattanakarn 57.</p> <p>Renting only the third floor with the utility area of 93.75 square metres to be used as a Bangkok Office from June 2008 at the rate of 8,500 baht per month. As for the year 2010 and 2009, the rent was 0.10 million baht and 0.10 million baht respectively.</p>	<p>This item is a rent for office space for dealing business in Bangkok.</p> <p>The audit committee is of the view that this item is reasonable and the rent, assessed by independent evaluator, is fair.</p>

Measures or Procedures for Approval of Related Transactions

In dealing with persons who may be in a position that conflict of interests may occur, the transaction of these persons shall be disclosed to the board of committee for its consideration and approval to bring about the maximum benefit of the company and to protect investors and related persons with the Company. Such transactions shall comply with security and exchange laws, regulations, notification, order or rules of the Stock Exchange of Thailand. The persons who may be in a position of conflict of interests or may have interests from the transactions shall not have the right to participate in procedures for approval of such transactions.

As to transactions that are normal business, such as buying and selling goods, the Company has a policy that requires the conditions of such transactions to be in accordance with normal business and the price to be market price comparable with the price of third party. The audit committee shall consider and provide opinions on such transactions quarterly. The consideration of reasonableness of the transactions will take into account of the market price, conditions and necessity that may affect the business, such as delivery time and specific quality of goods, for the maximum benefit of the Company.

Future Trend of Related Transactions

In concluding related transactions in the future, relevant conditions of the transactions shall be in accordance with normal business by referring to suitable market price and conditions. The audit committee and/or independent directors shall give opinions relating to rate of returns as well as necessity and suitability of such transactions. If a transaction is concluded by a person who may in the future be in a position of conflict of interests, the Company shall comply with the rules, notifications and/or regulations of the Security and Exchange Commission and/or the Stock Exchange of Thailand. The Company may employ independent experts or company auditors to provide opinions relating to such transactions which will be used in decision making process of the Board of Directors or the shareholders as the case may be. In this regard, group of companies will disclose the transactions among each other in the remark of the budget report examined by the Company's auditors.



Financial Status and Result of the Operation

Summary of Auditing Report

The Financial Statement for the year ended December 31, 2010 were audited by Miss Somjintana Polhirunrat, Thailand Certified Public Accountant Registration No. 5599 of the Office of DIA International Auditing. In her opinion, the financial statements referred to above, showing the financial status, result of the operation, and cash flows, presented fairly in all material respects and conformed to generally accepted accounting principles.

The Financial Statement for the year ended December 31, 2009 and 2008 were audited by Mrs.Suvimol Krittayakiern, Thailand Certified Public Accountant Registration No. 2982 of the Office of DIA International Auditing. In her opinion, the financial statements referred to above, showing the financial status, result of the operation, and cash flows, presented fairly in all material respects and conformed to generally accepted accounting principles.

Tables of Qualitech Public Company Limited's Financial Statements

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 to 2010

Unit: Thousand Baht

Result of the Operation	2008		2009		2010	
	Amount	%	Amount	%	Amount	%
Total income	245,197.30	100.00	279,709.10	100.00	278,783.02	100.00
Services income	243,333.83	99.24	278,149.73	99.44	276,958.84	99.35
Cost of services	145,295.17	59.26	170,566.91	60.98	175,756.17	63.04
Gross profit	98,038.67	40.29*	107,582.82	38.68*	101,202.67	36.54*
Other income	1,863.46	0.76	1,559.37	0.56	1,824.18	0.65
Profit before expenses	99,902.13	40.74	109,142.19	39.02	103,026.85	36.96
Administrative expenses	27,886.90	11.37	28,170.32	10.07	30,177.90	10.82
Directors' remuneration	690.00	0.28	1,826.00	0.65	1,880.79	0.67
Management benefit expenses	9,681.89	3.95	7,440.08	2.66	7,587.21	2.72
Total expenses	38,258.79	15.60	37,436.40	13.38	39,645.90	14.22
Profit before finance costs and income tax	61,643.34	25.14	71,705.79	25.64	63,380.95	22.73
Finance costs	975.34	0.40	636.99	0.23	305.48	0.11
Profit before income tax	60,667.99	24.74	71,068.80	25.41	63,075.47	22.63
Income tax	3,658.50	1.49	1,058.65	0.38	1,803.95	0.65
Net profit	57,009.50	23.25	70,010.15	25.03	61,271.52	21.98
Basic earnings per share (Baht)	0.86		0.86		0.68	
Book value per share (Baht)	1.85		2.31		2.64	
Par value (Baht)	1.00		1.00		1.00	

* Gross profit margins showed above were computed by dividing gross profit with service income.

BALANCE SHEETS
AS AT DECEMBER 31, 2008 to 2010

Unit: Thousand Baht

Financial Status	December 31, 2008		December 31, 2009		December 31, 2010	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets						
Cash and cash equivalents	13,513.09	7.99	11,450.29	4.81	19,367.55	7.27
Current investment	-	-	89,366.68	37.53	72,409.42	27.20
Trade account receivable – net	58,700.65	34.73	49,639.43	20.84	58,658.40	22.03
Unbilled services income	28,156.26	16.66	23,527.74	9.88	29,552.15	11.10
Inventories	3,326.47	1.97	2,995.86	1.26	5,847.49	2.20
Other current assets	3,318.62	1.96	2,668.30	1.12	2,716.02	1.02
Total current assets	107,015.08	63.31	179,648.30	75.44	188,551.03	70.82
Non-current assets						
Other long-term investment	-	-	-	-	10,054.87	3.78
Property, plant and equipment-net	51,795.82	30.64	50,273.89	21.11	60,857.09	22.86
Perpayment for purchase of fixed assets	5,109.86	3.02	1,003.26	0.42	-	-
Withholding income tax	4,658.56	2.76	7,081.63	2.97	6,675.72	2.51
Others-net	455.05	0.27	141.05	0.06	101.35	0.04
Total non-current assets	62,019.29	36.69	58,499.83	24.56	77,689.03	29.18
Total assets	169,034.37	100.00	238,148.13	100.00	266,240.06	100.00
Liabilities						
Current liabilities						
Trade account payable	7,651.61	4.53	3,890.00	1.63	3,875.83	1.46
Current portion of long – term liabilities	4,591.38	2.72	2,718.73	1.14	2,332.81	0.88
Short-term loans from related persons	5,000.00	2.96	-	-	-	-
Accrued expenses	12,368.58	7.32	18,331.40	7.70	17,232.31	6.47
Other current liabilities	1,431.25	0.85	2,007.63	0.84	3,443.47	1.29
Total current liabilities	31,042.81	18.36	26,947.76	11.32	26,884.42	10.10
Non-current liabilities						
Long-term loans-net	3,095.57	1.83	-	-	-	-
Liabilities under financial lease agreement-net	5,113.89	3.03	3,047.55	1.28	1,431.31	0.54
Total non-current liabilities	8,209.46	4.86	3,047.55	1.28	1,431.31	0.54
Total liabilities	39,252.27	23.22	29,995.31	12.60	28,315.73	10.64
Shareholders' equity						
Authorized shares capital	100,000.00	59.16	100,000.00	41.99	100,000.00	37.56
Issued and paid-up share capital	70,000.00	41.41	90,000.00	37.79	90,000.00	33.80
Premium on share capital	-	-	55,970.57	23.50	55,970.57	21.02
Appropriated-legal reserve	5,602.64	3.31	9,103.15	3.82	10,000.00	3.76
Retained earnings	54,179.46	32.05	53,079.10	22.29	81,953.76	30.78
Total shareholders' equity	129,782.10	76.78	208,152.82	87.40	237,924.33	89.36
Total liabilities and shareholders' equity	169,034.37	100.000	238,148.13	100.00	266,240.06	100.00

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 to 2010

Unit : Baht

	2008	2009	2010
Cash flows from operating activities			
Profit before income tax	60,667,995	71,068,801	63,075,469
Adjustments			
Reversed doubtful accounts	(273,060)	(502,137)	-
Depreciation	19,767,488	19,759,839	19,593,524
Doubtful accounts	-	-	108,923
(Gain) Loss on write off fixed assets	(841,780)	209,450	317,840
Loss on impairment of assets	-	-	22,164
Write off withholding income tax	-	-	981
Interest expenses	975,343	636,989	305,485
	80,295,986	91,172,942	83,424,386
(Increase) Decrease in portion of operating assets			
Trade account receivable	(18,601,283)	9,563,356	(9,127,887)
Unbilled services income	(5,412,595)	4,628,518	(6,024,415)
Inventories	(1,291,744)	330,613	(2,851,636)
Other current assets	(987,105)	650,318	(47,721)
Other non-current assets	(45,950)	313,995	17,545
Increase (Decrease) in portion of operating liabilities			
Trade account payable	5,291,307	(3,761,608)	(14,175)
Accrued expenses	2,303,749	6,009,460	(1,099,092)
Other current liabilities	(785,937)	364,145	1,435,835
Cash generated from operation	60,766,428	109,271,739	65,712,840
Interest paid	(974,542)	(683,625)	(305,485)
Income tax received (paid)	(6,364,383)	(3,481,722)	(1,399,026)
Net cash provided by operating activities	53,427,503	105,106,393	64,008,329
Cash flows from investing activities			
(Increase) Decrease in current investment	-	(89,366,679)	16,957,264
Increase in order long-term investment	-	-	(10,054,874)
Proceeds from sales of fixed assets	1,078,032	149,533	11,739
Payments for purchase of fixed assets	(11,695,609)	(12,428,788)	(28,731,050)
Prepayment for purchase of fixed assets	(5,109,858)	(1,003,262)	-
Net cash used in investing activities	(15,727,435)	(102,649,196)	(21,816,921)

STATEMENTS OF CASH FLOWS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2008 to 2010

Unit : Baht

	2008	2009	2010
Cash flows from financing activities			
Decrease in overdrafts from financial institution	(4,140,537)	-	-
Increase (Decrease) in short-term loans from related persons	5,000,000	(5,000,000)	-
Decrease in long-term loans	(2,134,115)	(4,739,881)	-
Decrease in liabilities under financial lease agreement	(3,198,627)	(3,140,683)	(2,774,148)
Proceeds from increase share capital	20,000,000	75,970,572	-
Dividend paid	(44,050,000)	(67,610,000)	(31,500,000)
Net cash used in financing activities	(28,523,279)	(4,519,992)	(34,274,148)
Net increase (decrease) in cash and cash equivalents	9,176,789	(2,062,795)	7,917,259
Cash and cash equivalents as at January 1	4,336,298	13,513,087	11,450,292
Cash and cash equivalents as at December 31	13,513,087	11,450,292	19,367,551

Explanation and Analysis of Financial Status and Result of the Operation

Overall Result of the Previous Operation

The Company undertakes its business in safety engineering by providing Non-Destructive Testing, Inspection and Certification services. Major clients of the Company are clients in petrochemical industry growing steadily in accordance with the expansion of domestic economy. In the year 2008 and 2009, the Company's total revenue was 245.19 million baht and 279.71 million baht respectively increasing 15.28% and 14.08% respectively when compared to the previous year. In the year 2010, the domestic economics indicated the high fluctuation due to the impact from the internal politic situation and global economic crisis. It resulted to the slowdown of domestic markets and investment; as well as caused the Company could not achieve to the target as planned. However, the Company closely monitored and evaluated the situation; and adjusted the business strategy appropriately. As a result, the total revenue in year 2010 was 278.78 million baht in which it decreased from the previous year only 0.43%. The decrease of the revenue was due to the slowdown of the construction projects, but they were compensated by the additional works from the inspection and certified services.

Gross profit in 2008, 2009 and 2010 were 98.04 million baht, 107.58 million baht and 101.20 million baht; in which they represented the gross margin about 40.29%, 38.68%, and 36.54% respectively. The gross margin slightly decreased due to the increase of overhead cost from employee expenses, wage and salary in accordance with the business expansion; while the service price was highly competed during the past few years. As a result, the Company set up a plan to manage the overhead cost of transportation and mobilization. Moreover, the Company developed a work-plan to maintain the testing tools and equipment. The work-plan is a part of maintenance cost reduction and prevents the equipment failure. In the overall, the Company had the net income of 57.01 million baht in year 2008, 70.01 million baht in year 2009 and 61.28 million baht in year 2010; in which they represented the net profit about 23.25% (2008), 25.03% (2009) and 21.98% (2010), respectively.

Analysis of Result of the Operation

Revenus

Unit: million Baht

Type of Work	2008		2009		2010	
	Amount	%	Amount	%	Amount	%
Non-Destructive testing	129.49	52.81	162.60	58.13	135.68	48.67
Inspection and Certification	113.84	46.43	115.55	41.31	141.28	50.68
Others	1.86	0.76	1.56	0.56	1.82	0.65
Total Income	245.19	100.00	279.71	100.00	278.78	100.00

Total revenue of the Company in the years 2008, 2009 and 2010 is 245.19 million baht 279.71 million baht and 278.78 million baht respectively. Major revenue derives from the provision of services in 2 sectors:

- (1) Providing the non-destructive testing services (NDT) to the fabrication shops or the new construction projects; in which the customers are mainly contractors; such as the storage tank fabrication project, the gas transmission pipeline inspection, etc. In year 2008 and year 2009, the revenue from non-destructive testing services (NDT) were 129.49 million baht and 162.60 million baht; in which they were increased from the previous year in the range of 23.26% and 25.57%, respectively. Majority of the revenue is from the existing customers from the previous year. For year 2010, the revenue from non-destructive testing services (NDT) was 135.68 MBaht; in which it decreases from the previous year 16.56% due to the economic situation and the slowdown of project investment to year 2011.
- (2) Providing the inspection and certification services. In year 2008, 2009 and 2010, the revenue from this service were 113.84 million baht 115.55 million baht and 141.28 million baht; in which they were increased from the previous year in the range of 6.33%, 1.50% and 22.27%, respectively. The growth of revenue from this service is highly depended on the growth of energy and petrochemical industries. On this point, the company planned to extend to the completed one-stop-service to the customers, re-inforce the existing customer bases and find the new customers.

The other revenues were from interest income, the gain from exchange rate and selling the asset; in which they were 1.86 million baht in 2008, 1.56 million baht in 2009 and 1.82 million baht in 2010.

Cost of Services and Gross Profit

Service cost in year 2008, 2009 and 2010 were 145.30 million baht, 170.57 million baht and 175.76 million baht; representing and relating with the the gross margin around 40.29%, 38.68% and 36.54%, respectively. The gross margin slightly decreased due to the increase of the overhead cost from employee expenses, wages and salary in accordance with the business expansion; while the service price was highly competed during the past few years. As a result, the company set up a plan to manage the overhead cost by establishing the supporting offices near our customers as much as possible to reduce the cost of transportation and mobilization. Moreover, the company developed a work-plan to maintain the testing tools and equipment. The work-plan is a part of maintenance cost reduction and preventing the equipment failure.

Selling and Administrative Expenses

Selling and Administrative Expenses in year 2008, 2009 and 2010 were 38.26 million baht, 37.44 million baht, and 39.65 million baht; in which they were 15.60%, 13.38% and 14.22% of the total revenue, respectively. The majority of selling and administrative expenses are the employee expenses, wages, salary and bonus. In year 2008, 2009 and 2010, the company had the expense related with the employee about 22.92 million baht, 20.24 million baht, and 21.34 million baht; in which they were representing the 59.91%, 54.06% and 53.82% of the total selling and administrative expenses. In year 2010, selling and administrative expenses increased from the training expenses for preparing our employees for the coming projects and also the maintenance cost of equipment and tools.

Net Profit and Return on Equity

Net profit in year 2008, 2009 and 2010 were 57.01 million baht, 70.01 million baht and 61.27 million baht; in which they were representing the net profit margin 23.25%, 25.03%, and 21.98%, respectively. In year 2010, the net profit margin decreased from year 2008 and 2009 due to the increase of overhead cost and employee expenses; such as training expenses for preparing the employees for the coming projects and maintenance cost of equipment and tools.

The earning per share in year 2008, 2009 and 2010 were 0.86 Baht per share, 0.86 Baht per share, and 0.68 Baht per share, respectively. In year 2008 and 2009, the company increased the registered capital (paid-up) from 50 million baht to 70 million baht and 90 million baht, respectively.

Analysis of Financial Status

Assets

The total assets at the end of year 2008, 2009 and 2010 were 169.03 million baht, 238.15 million baht and 266.24 million baht; in which they represented the growth rate 28.93% in 2008 and increased to 40.89% in 2009 due to the increase of registered capital and increased to 11.80% in 2010.

The current assets at the year end of 2008, 2009 and 2010 were 107.02 million baht, 179.65 million baht and 188.55 million baht; in which they were equivalent to 63.31%, 75.44% and 70.82% of the total assets in each year, respectively.

In year 2009 and 2010, the company had the current investment around 89.37 million baht and 72.41 million baht, respectively. It is a company policy to put the surplus cash and invest on the low-risk and high-liquidity bond.

In year 2008, 2009 and 2010, the trade account receivables at the year-end were 58.70 million baht, 49.64 million baht and 58.66 million baht, respectively. The duration of collection was 97 days in year 2008, 88 days in year 2009 and 91 days in 2010. In the normal business case, after issued invoice, the customer would take about 10-15 days for service quality assurance and job acceptance. After that, the billing process should be

started. For some customers, they have the billing date about 1-2 times per month meaning that for some invoices, it would take about 15-30 days for billing process matching with the billing date. The company also provides the credit to the customers after start billing process about 30-45 days. Thus, the average collection would be around 70-75 days. In year 2008 and 2009, the average duration increased because of the doubtful debts from year 2007 in range of 13.61 million baht.

Recognition of revenue corresponds to the completed work in accordance with document summarizing work in process of each project; meaning that the project has the customer endorsement but not invoiced yet; in year 2008, 2009 and 2010 were 28.16 million baht, 23.53 million baht and 29.55 million baht, respectively.

Liquidity of Cash Flow

Cash flows from operating activities in year 2008, 2009 and 2010 were in continuously positive and they were in the range of 53.43 million baht, 105.11 million baht and 64.01 million baht, respectively. It is due to the company making the consistent profit. While the cash flow from the investment in year 2008, 2009 and 2010 were (15.73) million baht, (102.65) million baht, and (21.82) million baht, respectively. They were mainly on the fixed asset investment; such as inspection and testing equipment for service expansion. The rest of cash flow was used in the low-risk and high-liquidity bond investment. The cash flow from the financial activities in year 2008, 2009 and 2010 were (28.52) million baht, (4.52) million baht and (34.27) million baht, respectively.

In year 2009, the company had increase the registered capital of 20 million baht and paid the dividends; total of 44.05 million baht. While in year 2009, the company had increased the capital about 20 million shares and obtained the cash about 75.97 million baht. In year 2009 and 2010, the company paid the dividends about 67.61 million baht and 31.50 million baht, respectively.

Source of Funding

In year 2008, 2009 and 2010, the total liabilities at the year-end were 39.25 million baht, 30.00 million baht, and 28.32 million baht, respectively. Most of them were in the current liabilities equivalent to 31.04 million baht (2008), 26.95 million baht (2009) and 26.88 million baht (2010). The majority of current liabilities were the accrued employee expenses, wages and salary.

Non-current liabilities at the year-end of 2008, 2009 and 2010 were 8.21 million baht, 3.05 million baht, and 1.43 million baht, respectively. In year 2008, the company had the long-term loans; net of the current portion of long-term liabilities, for investing on the new testing equipments about 3.10 million baht and all of them had been completely paid in 2009. The rest of the non-current liability is the vehical loans according to the contract.

Shareholders' equity at end of year 2008, 2009 and 2010 were 129.78 million baht, 208.15 million baht and 237.92 million baht, respectively. In 2009, the dividends were paid from the earning of the year 2008 in the amount of 54.11 million baht and increased the capital in total 20 million shares. The profit from operation in year 2009 was 70.01 million baht and the company paid an interim dividend of 13.50 million baht. In year

2010, the dividends were also paid from the earnings of the year 2009 in the amount of 22.50 million baht. The profit from operation in year 2010 was 61.27 million baht and the company paid an interim dividend of 9.00 million baht.

Debt to equity ratio at the end of year 2008, 2009 and 2010 were 0.30 times, 0.14 times, and 0.12 times, respectively. The present ratio of debt to equity shareholders is in the low level due to the company has the high financial liquidity and cash from operations.

Audit Fee

The financial statements of the Company has been audited and reviewed by Miss Somjintana Polhirunrat, an auditor with a licence no.5599, from DIA Audit Firm. The total expense in the year 2010 is 660,000 Baht and the Company does not pay any other non-audit fee to the DIA Audit Firm.

AUDITOR'S REPORT

To The Shareholders of

QUALITECH PUBLIC COMPANY LIMITED

I have audited the balance sheet of QUALITECH PUBLIC COMPANY LIMITED as at December 31, 2010, the related statement of income, statement of changes in shareholders' equity and statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements for the year ended December 31, 2009 were audited by the other auditor in the same firm whose report dated February 27, 2010, expressed an unqualified opinion on those statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of QUALITECH PUBLIC COMPANY LIMITED as at December 31, 2010 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Office of D I A International Auditing



(Miss Somjintana Polhirunrat)

C.P.A. Thailand

Registration No. 5599

February 26, 2011

QUALITECH PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT DECEMBER 31, 2010 AND 2009

Assets	Note	2010	Baht	2009
Current assets				
Cash and cash equivalents	5	19,367,551.37		11,450,291.89
Current investment	6	72,409,414.81		89,366,678.83
Trade accounts receivable - net	7	58,658,395.08		49,639,431.04
Unbilled services income		29,552,152.26		23,527,737.80
Inventories		5,847,491.90		2,995,855.75
Other current assets		2,716,022.68		2,668,301.40
Total current assets		<u>188,551,028.10</u>		<u>179,648,296.71</u>
Non-current assets				
Other long - term investment	8	10,054,874.17		0.00
Property, plant and equipment - net	9	60,857,094.55		50,273,885.93
Other non - current assets				
Prepayment for purchase of fixed assets		0.00		1,003,261.60
Withholding income tax		6,675,720.70		7,081,626.36
Others - net	10	101,345.66		141,055.00
Total non-current assets		<u>77,689,035.08</u>		<u>58,499,828.89</u>
Total assets		<u><u>266,240,063.18</u></u>		<u><u>238,148,125.60</u></u>

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED

BALANCE SHEETS (Cont.)

AS AT DECEMBER 31, 2010 AND 2009

Liabilities and shareholders' equity	Note	2010	Baht	2009
Current liabilities				
Trade accounts payable		3,875,828.82		3,890,003.77
Current portion of long - term liabilities	11	2,332,811.50		2,718,724.21
Other current liabilities				
Accrued expenses		17,232,308.23		18,331,400.10
Others		3,443,466.57		2,007,631.34
Total current liabilities		<u>26,884,415.12</u>		<u>26,947,759.42</u>
Non-current liabilities				
Liabilities under financial lease agreement - net	11	1,431,311.96		3,047,547.57
Total non-current liabilities		<u>1,431,311.96</u>		<u>3,047,547.57</u>
Total liabilities		<u>28,315,727.08</u>		<u>29,995,306.99</u>
Shareholders' equity				
Share capital				
Authorized shares capital				
100,000,000 common shares of Baht 1 each		<u>100,000,000.00</u>		<u>100,000,000.00</u>
Issued and paid - up share capital				
90,000,000 common shares of Baht 1 each	12	90,000,000.00		90,000,000.00
Premium on share capital	12	55,970,571.40		55,970,571.40
Retained earnings				
Appropriated - legal reserve	13	10,000,000.00		9,103,150.68
Unappropriated	14	81,953,764.70		53,079,096.53
Total shareholders' equity		<u>237,924,336.10</u>		<u>208,152,818.61</u>
Total liabilities and shareholders' equity		<u>266,240,063.18</u>		<u>238,148,125.60</u>

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Note	2010	Baht	2009
Services income		276,958,842.80		278,149,730.99
Cost of services		(175,756,171.48)		(170,566,909.89)
Gross profit		101,202,671.32		107,582,821.10
Other income		1,824,179.01		1,559,370.55
Profit before expenses		103,026,850.33		109,142,191.65
Administrative expenses		(30,177,894.95)		(28,170,325.56)
Directors' remuneration	15	(1,880,794.21)		(1,826,000.00)
Management benefit expenses	16	(7,587,207.44)		(7,440,075.58)
Total expenses		(39,645,896.60)		(37,436,401.14)
Profit before finance costs and income tax		63,380,953.73		71,705,790.51
Finance costs		(305,485.07)		(636,989.18)
Profit before income tax		63,075,468.66		71,068,801.33
Income tax	17	(1,803,951.17)		(1,058,653.61)
Net profit		61,271,517.49		70,010,147.72
Earnings per share				
Basic earnings per share		0.68		0.86
Weighted average number of common shares		90,000,000		81,666,667

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Unit : Baht)

	Note	Issued and	Premium	Retained earnings (Deficit)		Total
		paid-up share	on share	Appropriated	Unappropriated	
		capital	capital			
Balance as at December 31, 2008		70,000,000.00	0.00	5,602,643.29	54,179,456.20	129,782,099.49
Increase share capital	12	20,000,000.00	55,970,571.40	0.00	0.00	75,970,571.40
Dividend paid	14	0.00	0.00	0.00	(54,110,000.00)	(54,110,000.00)
Net profit for the year		0.00	0.00	0.00	70,010,147.72	70,010,147.72
Interim dividend paid	14	0.00	0.00	0.00	(13,500,000.00)	(13,500,000.00)
Legal reserve	13	0.00	0.00	3,500,507.39	(3,500,507.39)	0.00
Balance as at December 31, 2009		90,000,000.00	55,970,571.40	9,103,150.68	53,079,096.53	208,152,818.61
Dividend paid	14	0.00	0.00	0.00	(22,500,000.00)	(22,500,000.00)
Net profit for the year		0.00	0.00	0.00	61,271,517.49	61,271,517.49
Interim dividend paid	14	0.00	0.00	0.00	(9,000,000.00)	(9,000,000.00)
Legal reserve	13	0.00	0.00	896,849.32	(896,849.32)	0.00
Balance as at December 31, 2010		90,000,000.00	55,970,571.40	10,000,000.00	81,953,764.70	237,924,336.10

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	Baht	2009
Cash flows from operating activities			
Profit before income tax	63,075,468.66		71,068,801.33
Adjustments			
Doubtful accounts	108,923.30		0.00
Reversed doubtful accounts	0.00		(502,137.64)
Depreciation	19,593,523.71		19,759,839.17
Loss on write off fixed assets	317,840.29		209,450.20
Loss on impairment of assets	22,164.22		0.00
Write off withholding income tax	980.40		0.00
Interest expenses	305,485.07		636,989.18
	83,424,385.65		91,172,942.24
(Increase) Decrease in portion of operating assets			
Trade accounts receivable	(9,127,887.34)		9,563,356.01
Unbilled services income	(6,024,414.46)		4,628,518.34
Inventories	(2,851,636.15)		330,612.85
Other current assets	(47,721.28)		650,318.27
Other non-current assets	17,545.12		313,995.00
Increase (Decrease) in portion of operating liabilities			
Trade accounts payable	(14,174.95)		(3,761,608.55)
Accrued expenses	(1,099,091.87)		6,009,460.03
Other current liabilities	1,435,835.23		364,145.26
Cash generated from operation	65,712,839.95		109,271,739.45
Interest paid	(305,485.07)		(683,624.58)
Income tax received (paid)	(1,399,025.91)		(3,481,722.05)
Net cash provided by operating activities	64,008,328.97		105,106,392.82

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (Cont.)

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	Baht	2009
Cash flows from investing activities			
(Increase) Decrease in current investment	16,957,264.02		(89,366,678.83)
Increase in other long - term investment	(10,054,874.17)		0.00
Proceeds from sales of fixed assets	11,739.00		149,532.71
Payments for purchase of fixed assets	(28,731,050.02)		(12,428,787.86)
Prepayment for purchase of fixed assets	0.00		(1,003,261.60)
Net cash used in investing activities	<u>(21,816,921.17)</u>		<u>(102,649,195.58)</u>
Cash flows from financing activities			
Decrease in short - term loans from related persons	0.00		(5,000,000.00)
Decrease in long - term loans	0.00		(4,739,880.86)
Decrease in liabilities under financial lease agreement	(2,774,148.32)		(3,140,682.99)
Proceeds from increase share capital	0.00		75,970,571.40
Dividend paid	(31,500,000.00)		(67,610,000.00)
Net cash used in financing activities	<u>(34,274,148.32)</u>		<u>(4,519,992.45)</u>
Net increase (decrease) in cash and cash equivalents	7,917,259.48		(2,062,795.21)
Cash and cash equivalents as at January 1	<u>11,450,291.89</u>		<u>13,513,087.10</u>
Cash and cash equivalents as at December 31	<u><u>19,367,551.37</u></u>		<u><u>11,450,291.89</u></u>

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2010 AND 2009

1. GENERAL INFORMATION

1.1 The Company was registered as a company limited on February 11, 1991 with registration no. 0105534013647 and on December 12, 2007, the Company has changed its status to public company limited with registration no. 0107550000220 and is listed company in the Market for Alternative Investment (MAI) on June 9, 2009.

1.2 Head office is located at 21/3 Banplong Road, Maptaphut, Muang, Rayong and the branch office is located at 1/37 Moo 1, Nongchak, Banbueng, Chonburi.

1.3 The Company engaged in business of provides the technical services testing, inspection and certification for operation safety of industry equipments, pressure vessel, industrial boiler, piping and steel structures which is important for the production process, storage, transport of the products in power generating, petrochemical industry and construction to comply with industrial standard and the government laws.

2. FINANCIAL STATEMENTS PREPARATION BASIS

The financial statements have been prepared in conformity with generally accepted accounting principles enunciated under the Accounting Professions Act B.E. 2547 and presented in accordance with the notification of Department of Business Development by Ministry of Commerce dated January 30, 2009 regarding the condensed form should be included in the financial statements B.E. 2552 and in accordance with the regulations of the Securities and Exchange Commission regarding the preparation and presentation of financial reporting under the Securities and Exchange Act B.E. 2535.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

3. NEW ACCOUNTING STANDARDS ISSUANCE

The Federation of Accounting Professions issued Notification 17/2553, 50/2553 through 55/2553, as pertinent to Accounting Standards (Revised 2009), Financial Reporting Standards (Revised 2009), and Interpretation of Financial Reporting Standards announced through the Royal Gazettes on May 26, 2010 and December 15, 2010 respectively implementing 32 accounting standards, financial reporting standards, and interpretation of financial reporting standards. These comprise 25 standards replacing the previous versions with identification numbers rearranged to be identical to international accounting standards, of which certain standards were unchanged in principle, certain others were with partial change in principle, and 7 standards were newly implemented detailed as follows:

3.1 Accounting and financial reporting standards replaced the previous versions

<u>Accounting standards/Financial reporting standards</u>	<u>Effective date</u>
Framework for the Preparation and Presentation of Financial Statements (Revised 2009)	May 26, 2010
TAS 1 (Revised 2009) Presentation of Financial Statements	January 1, 2011
TAS 2 (Revised 2009) Inventories	January 1, 2011
TAS 7 (Revised 2009) Statements of Cash Flows	January 1, 2011
TAS 8 (Revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2011
TAS 10 (Revised 2009) Events After the Reporting Period	January 1, 2011
TAS 11 (Revised 2009) Construction Contracts	January 1, 2011
TAS 16 (Revised 2009) Property, Plant and Equipment	January 1, 2011
TAS 17 (Revised 2009) Leases	January 1, 2011
TAS 18 (Revised 2009) Revenue	January 1, 2011
TAS 20 (Revised 2009) Accounting for Government Grants and Disclosure of Government Assistance	January 1, 2013
TAS 21 (Revised 2009) The Effects of Changes in Foreign Exchange Rate	January 1, 2013
TAS 23 (Revised 2009) Borrowing Costs	January 1, 2011
TAS 24 (Revised 2009) Related Party Disclosures	January 1, 2011
TAS 27 (Revised 2009) Consolidated and Separate Financial Statements	January 1, 2011
TAS 28 (Revised 2009) Investments in Associates	January 1, 2011
TAS 31 (Revised 2009) Interests in Joint Venture	January 1, 2011
TAS 33 (Revised 2009) Earnings per Share	January 1, 2011
TAS 34 (Revised 2009) Interim Financial Reporting	January 1, 2011
TAS 36 (Revised 2009) Impairment of Assets	January 1, 2011
TAS 37 (Revised 2009) Provisions, Contingent Liabilities and Contingent Assets	January 1, 2011
TAS 38 (Revised 2009) Intangible Assets	January 1, 2011
TAS 40 (Revised 2009) Investment Property	January 1, 2011
TFRS 3 (Revised 2009) Business Combination	January 1, 2011
TFRS 5 (Revised 2009) Non-current Assets Held for Sale and Discontinued Operations	January 1, 2011

The Company's management has assessed the effect of these standards and believes that TAS 20 (Revised 2009), TAS 27 (Revised 2009), TAS 28 (Revised 2009), TAS 31 (Revised 2009), TFRS 3 (Revised 2009) and TFRS 5 (Revised 2009) are not relevant to the Company's business. As for relevant accounting standards, and financial reporting standards, the management has assessed the effect and found to have no material impact on financial statements. The Company shall adopt these relevant standards beginning on the effective dates.

3.2 New accounting standards and financial reporting standard in issue for adoption

<u>Accounting standards/Financial reporting standards</u>		<u>Effective date</u>
TAS 12	Income Taxes	January 1, 2013
TAS 19	Employee Benefits	January 1, 2011
TAS 26	Accounting and Reporting by Retirement Benefit Plans	January 1, 2011
TAS 29	Financial Reporting in Hyperinflationary Economies	January 1, 2011
TFRS 2	Share Based Payment	January 1, 2011
TFRS 6	Exploration for and Evaluation of Mineral Resources	January 1, 2011
TIFRS 15	Construction Contract	January 1, 2011

TAS 26, TAS 29, TFRS 2, TFRS 6 and TIFRS 15 are not relevant to the Company's business. The Company will apply TAS 12 and TAS 19, on the effective date which the management of the Company is being evaluated the effect of those standards on the financial statements. During the period, the Company calculated employee benefits by using actuarial method which had accumulated employee benefits up to December 31, 2010 approximately amount of Baht 5.77 million.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Income and Expenses Recognition

4.1.1 Revenues and expenses are recognized on an accrual basis.

4.1.2 Core revenues of the Company are derived from billing under contracts that provide for specific time, material and equipment charges which will be billed ranging from daily to monthly. The Company recognizes such revenues based on the period or lump-sum as stipulated in the contract and on the percentage of completion work for long-term mega-contract. Under this method, the Company estimated contract revenues based on the actual costs incurred as a percentage of total estimated costs. The factors affect to total estimated costs are changes in the cost of materials and labor, productivity, planning, external factors including weather other factors outside the Company's control, may affect the progress and estimated cost of completion. These factors had impact on revenues recognition. The Company routinely review estimates related to contracts when the total contract costs indicates exceeding contract revenues, the Company, thus, will recognize the contingent loss as expenses and reflect revision immediately.

4.2 Cash and Cash Equivalents

Cash and cash equivalents included cash on hand and at bank of which are due within three months from the deposit date and without restriction on withdrawal.

4.3 Investments

4.3.1 Investments in securities for trading to stated at fair values. Gain or loss on changes in fair value is recognized as income or expenses in the statements of income.

4.3.2 Long-term investment in the form of debt securities which intended to hold to maturity are stated at amortized cost.

4.3.3 Long-term investment in the form of marketable equity securities available for sales are stated at fair value.

4.4 Allowance for Doubtful Accounts

The Company provides the allowance for doubtful accounts for the possible loss incurred from receivable. The estimated loss are based on historical collection experience and a review of the current status of existing receivable. The Company has fixed the percentage of allowance for doubtful accounts based on receivable aging other than the above provision.

Aging of overdue receivables	Percentage of allowance for doubtful accounts
Over 3 - 6 months	10
Over 6 - 9 months	30
Over 9 - 12 months	50
Over 12 months	100

4.5 Inventory

Supplies are valued at the lower of cost on a first - in first - out (FIFO) basis or net realizable value.

4.6 Property, Plant and Equipment

4.6.1 Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and provision for impairment of assets (if any).

4.6.2 Building and equipment are depreciation on a straight-line basis over the estimated useful lives of the assets as follows :

	Number of years
Building	20
Building improvement	20
Office furniture and fixture	5
Tools and technical equipment	5
Office equipment	3, 5
Utilities system	5
Vehicles	5

Except for tools and technical equipment acquired from October 23, 1999 to December 31, 2003 and acquired after December 31, 2005 were depreciated on double declining balance method (5 years period) for parts of tools and technical equipment since such tools and technical equipment are made up of technology component. Such technology has greatly developed to be raised the efficiency all the time and the Company must use such tools and technical equipment for performing its work in the customers' office, thus, the tools and technical equipment may possible be obsolete or damage from the performance.

Land and assets under construction were not depreciated.

4.7 Impairment of Assets

The Company has considered the impairment of assets whenever events or changes indicated that the carrying amount of an assets exceeds its recoverable value (net selling price of the assets under current operation or its utilization value whichever is higher). The Company will consider the impairment for each asset item or each assets unit generating cash flows, whichever is practical. In case of the carrying amount of an asset exceeds its recoverable value, the Company will recognize an impairment in the statements of income for the period. The Company will reverse the impairment loss whenever there is an indication that there is no longer impairment or reduction in impairment.

4.8 Transactions in Foreign Currencies

The Company records its transactions in foreign currencies converting into Thai Baht by using the exchange rates ruling on the transaction dates. The outstanding balances of accounts in foreign currencies as at the balance sheets date are converted into Thai Baht by using the exchange rates ruling on the same date.

Gains or Loss on exchange rate are taken into income or expense in the results of operation.

4.9 Financial Instruments

Financial instruments are presented in balance sheets, consist of cash and cash equivalents, current investment, trade accounts receivable, other receivables, trade account payable, short-term loans and long-term loans and other payables. The basis of recognition and measurement of each item is separately disclosed in the related transactions.

4.10 Long-Term Lease Agreement

The Company records vehicles under purchase agreement as assets and liabilities in an amount equal to the fair value of the leased assets or the present value of the minimum payments under the agreements. Interest expenses are recorded to each period over the term of the agreement.

4.11 Employees Benefit

4.11.1 Provident fund

The Company has established provident fund under the defined contribution plan. The fund's assets are separated entities which are administered by the outsider fund manager. The Company and employees made contribution into such provident fund. The Company's contribution payments to the provident fund were recorded as expenses in statements of income in the period in which they are incurred.

4.11.2 Retirement benefit

This obligation is to provide retirement benefit to retired employees under the defined retirement plan, determined by the labour law. The Company will record the retirement cost in the period in which the employees retired.

4.12 Income Tax

The company recorded income tax by calculating from taxable net profit as prescribed in the Revenue Code.

4.13 Accounting Estimates

Preparation of financial statements in conformity with generally accepted accounting principles required the management to make several estimation and assumption which affect the reported amounts in the financial statements and notes related thereto. Consequent actual results may differ from those estimates.

4.14 Provisions

The Company recognizes a provision when an entity has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits resources will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. If some or all the expenditure is required to settle a provision, is expected to be reimbursed when it is virtually certain that reimbursement will be received if the Company settles the obligation. The amount recognized should not exceed the amount of the provision.

4.15 Basic Earnings per Share

Earnings (Loss) per share as presented in the statements of income is the basic earnings per share which is determined by dividing the net profit (loss) for the year by the weighted average number of common shares issued and paid-up during the year.

5. ADDITIONAL DISCLOSURE OF CASH FLOWS INFORMATION

5.1 Cash and Cash equivalents

	2010	Baht	2009
Cash	250,915.40		158,947.00
Cash at bank - current accounts	33,000.00		32,000.00
Cash at bank - savings accounts	19,083,635.97		11,259,344.89
Total	19,367,551.37		11,450,291.89

5.2 Supplemental disclosure of cash flows information

Non - cash transaction

In 2010, the Company entered into hire purchase vehicles and copy machine agreement total amount of Baht 0.96 million which was already made the initial installment in the amount of Baht 0.19 million. The remaining is presented as liabilities under hire purchase agreement.

In 2009, the Company entered into hire purchase vehicles agreement of Baht 1.13 million which was already made the initial installment in the amount of Baht 0.28 million. The remaining is presented as liabilities under hire purchase agreement.

6. CURRENT INVESTMENT

	2010	Baht	2009
K - Treasury Fund - short term government bond	0.00		25,164,017.19
SCB Savings Fixed Income Fund (SCBSFF)	3,287,728.27		36,116,384.93
The Krung Thai Sa - Som - Sub Fund	0.00		28,086,276.71
T - Cash Fund	7,072,611.55		0.00
KTB Fixed Income Fund (KTFIX3M3)	15,049,074.99		0.00
SCB Government Bond Fund (SCBGB 6M77)	17,000,000.00		0.00
SCB Government & Bank's Bond 18 Open End Fund (SCBGBANK18)	15,000,000.00		0.00
SCB Fixed Income Fund (SCBFI6M1)	5,000,000.00		0.00
The Krung Thai Foreign Fixed Income (KTF 11M2)	5,000,000.00		0.00
SCB Foreign Fixed Note (SCB FN 14M2S)	5,000,000.00		0.00
Total	72,409,414.81		89,366,678.83

Such fund invested in debt securities which had minimal risk.

7. TRADE ACCOUNTS RECEIVABLE - NET

	2010	Baht	2009
Billed receivable separated on aging			
Undue receivable	29,658,161.81		29,647,228.70
Overdue receivable			
- Less than 3 months	26,952,220.19		18,640,958.69
- Over 3 months to 6 months	2,275,570.09		1,482,766.28
- Over 6 months to 9 months	0.00		5,720.00
- Over 9 months to 12 months	0.00		25,500.00
- Over 12 months	12,934,376.22		12,890,267.30
Total	71,820,328.31		62,692,440.97
Less Allowance for doubtful accounts	(13,161,933.23)		(13,053,009.93)
Net	58,658,395.08		49,639,431.04

8. OTHER LONG-TERM INVESTMENT

	2010	Baht	2009
Debt securities held to maturity			
- Bank of Thailand Bonds (BOT 131A # 1/3/2553)	5,054,874.16		0.00
Equity securities			
- The Krung Thai Fixed Note (KTFF12)	5,000,000.00		0.00
Total	10,054,874.16		0.00

Bank of Thailand Bonds (BOT 131A) matured on January 14, 2013 at the yield rate of 2.75% per annum.

9. PROPERTY, PLANT AND EQUIPMENT - NET

	Baht							Total		
	Land	Building	Building improvement	Office furniture and fixtures	Tools and technical equipment	Office equipment	Utilities system		Vehicles	Assets under construction
Assets - cost :										
As at December 31, 2009	7,219,000.00	9,290,260.87	2,308,080.35	3,050,624.15	78,545,142.24	6,425,860.24	1,291,122.36	37,845,768.44	163,201.05	146,139,059.70
Purchase	0.00	0.00	0.00	284,586.67	22,216,126.72	1,402,907.20	0.00	916,550.00	5,686,141.03	30,506,311.62
Disposal	0.00	0.00	(108,363.00)	(40,855.14)	(628,073.83)	(877,691.12)	0.00	(1,299.06)	0.00	(1,656,282.15)
Transference	0.00	0.00	0.00	0.00	163,201.05	0.00	0.00	0.00	(163,201.05)	0.00
As at December 31, 2010	7,219,000.00	9,290,260.87	2,199,717.35	3,294,355.68	100,296,396.18	6,951,076.32	1,291,122.36	38,761,019.38	5,686,141.03	174,989,089.17
Accumulated depreciation :										
As at December 31, 2009	0.00	3,515,655.02	521,636.54	2,373,761.65	54,799,527.82	4,056,326.01	1,291,118.36	29,307,148.37	0.00	95,865,173.77
Depreciation for the year	0.00	417,886.17	111,772.90	250,366.43	13,733,311.15	1,318,751.75	0.00	3,761,435.30	0.00	19,593,523.70
Depreciation - write off	0.00	0.00	(6,738.63)	(36,969.19)	(414,710.17)	(866,986.80)	0.00	(1,298.06)	0.00	(1,326,702.85)
As at December 31, 2010	0.00	3,933,541.19	626,670.81	2,587,158.89	68,118,128.80	4,508,090.96	1,291,118.36	33,067,285.61	0.00	114,131,994.62
Net book value										
As at December 31, 2009	7,219,000.00	5,774,605.85	1,786,443.81	676,862.50	23,745,614.42	2,369,534.23	4.00	8,538,620.07	163,201.05	50,273,885.93
As at December 31, 2010	7,219,000.00	5,356,719.68	1,573,046.54	707,196.79	32,178,267.38	2,442,985.36	4.00	5,693,733.77	5,686,141.03	60,857,094.55

As at December 31, 2010 and 2009, equipment at cost of Baht 67.67 million and Baht 36.36 million, respectively were depreciated in full but are still in use.

As at December 31, 2010 and 2009, land, building and building improvement at cost of Baht 18.71 million and Baht 18.82 million, respectively are mortgaged as collateral for overdrafts line from bank amount of Baht 4.50 million at the interest rate of MRR per annum and contingent liabilities from bank issuance of letter of guarantee (note 23).

Tools and technical equipment as at December 31, 2010

(Unit : Baht)

Assets acquired	Cost	Accumulated depreciation	Net cost
Depreciation by straight - line method			
- Before October 23, 1999	3,129,164.03	(3,129,063.03)	101.00
- 2004 until present	33,937,109.58	(26,211,424.36)	7,725,685.22
Depreciation by double - declining balance method			
- Before October 23, 1999 to 2003	5,797,715.07	(5,797,641.07)	74.00
- 2006 until present	57,432,407.50	(32,980,000.34)	24,452,407.16
Total	100,296,396.18	(68,118,128.80)	32,178,267.38

Depreciation for the years ended December 31, 2010 and 2009 were Baht 13.73 million and Baht 12.86 million, respectively.

10. OTHER NON - CURRENT ASSETS - NET

	2010	Baht	2009
Deposit receivable under contract	3,723,909.73		3,763,619.07
Properties foreclosed	22,164.22		0.00
Total	3,746,073.95		3,763,619.07
Less Allowance for doubtful accounts	(3,622,564.07)		(3,622,564.07)
Provision for impairment of properties foreclosed	(22,164.22)		0.00
Net	101,345.66		141,055.00

11. LIABILITIES UNDER FINANCIAL LEASE AGREEMENT - NET

1) Liabilities under financial lease agreement excluded future interest expenses as follows :

	2010	Baht	2009
Payable under hire purchase agreement	3,764,123.46		5,766,271.78
Less Current portion of long - term liabilities	(2,332,811.50)		(2,718,724.21)
Net	1,431,311.96		3,047,547.57

The Company's vehicles at cost is under the payment as indicated in agreement as follows:

	2010	Baht	2009
Vehicles	15,439,266.37		16,229,210.30
Office equipment	242,780.16		0.00
Total	15,682,046.53		16,229,210.30

2) The minimum amount to be paid under financial lease agreement as follows :

	2010	Baht	2009
Within 1 year	2,493,510.51		3,054,554.98
Over 1 year less than 3 years	1,508,527.26		3,085,439.02
Over 3 years less than 5 years	0.00		69,713.00
Total	4,002,037.77		6,209,707.00
Less Future interest expenses of financial lease agreement	(237,914.31)		(443,435.22)
Present value of liabilities under financial lease agreement	3,764,123.46		5,766,271.78

12. SHARE CAPITAL

According to the minutes of the Board of Directors' meeting no. 2/2009 held on May 9, 2009, passed the resolution to take the increase share capital according to the shareholders' extraordinary meeting no. 1/2008 held on February 2, 2008 for 19 million shares to offer to the public at the price of Baht 4.00 each and offer 1 million shares to the management and employees at Baht 3.20 each. In June 2009, the Company has received the payment for such share capital in fully amount, resulted premium on share capital amount of Baht 55.97 million, and the paid-up share capital to be Baht 90 million.

13. LEGAL RESERVE

By virtue of the Public Company Limited Act, the Company is required to set aside the reserve as a legal reserve at least 5% of its annual net income after deduction of the deficit brought forward (if any) until the reserve reaches 10% of authorized capital. The reserve is not available for dividend distribution.

14. RETAINED EARNINGS APPROPRIATION

For the year 2010

According to the minutes of shareholders' general meeting for the year 2010 held on April 26, 2010, passed the resolution to pay dividend from profit of year 2009 to the shareholders at Baht 0.25 per share for total 90 million shares amounting to Baht 22.50 million. During the period, the Company has paid the dividend in fully amount.

According to the minutes of Board of Directors' meeting no. 3/2010 held on August 7, 2010, passed the resolution to pay interim dividend to the shareholders at Baht 0.10 per share for 90 million shares, amounting to Baht 9.00 million. During the period, the Company has paid the interim dividend in fully amount.

For the year 2009

According to the minutes of shareholders' general meeting for the year 2009 held on April 25, 2009, passed the resolution to pay dividend from profit of year 2008 to the shareholders at Baht 0.773 per share for total 70 million shares amounting to Baht 54.11 million. During the period, the Company has paid such dividend in whole amount.

According to the minutes of Board of Directors' meeting no. 3/2009 held on August 8, 2009, passed the resolution to pay interim dividend to the shareholders at Baht 0.15 per share for 90 million shares, amounting to Baht 13.50 million. During the period, the Company has paid the interim dividend in fully amount.

15. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Company Limited Act, excluding salaries and related benefits payable to executive directors.

16. MANAGEMENT BENEFIT EXPENSES

Management benefit expenses focuses expenses relating to salaries, remunerations and other benefits to the directors and management, in accordance with the definitions of the Office of the Securities and Exchange Commission. Management under definition includes a chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels. Part of management benefit expenses are included in cost of services.

17. INCOME TAX

The Company calculated corporate income tax at the rate of 20% of profit (loss) before deducting with tax expenses and added back by other expenses which shall not be allowed as expenses in tax calculation except the exempted profit derived from promoted activities (note 20).

18. TRANSACTIONS WITH RELATED PERSONS AND PARTIES

Assets, liabilities, revenues and expenses arose from transaction with persons and related companies. Those transactions are based on the conditions as the group of companies concerned and in the normal course of business as detailed following :

18.1 General information

Name	Relationship	Description	Pricing policy
Related persons			
Mr. Sannpat Rattakham	The Company's director and shareholder	Guarantee	Non-service charge
Mrs. Monta Chaiyaban	Near relative of the Company's directors and shareholders	Office rental	At the agreed rate of Baht 8,500 starting June 2008
Related parties			
Duwell Intertrade Limited	Shareholders are the near relative of the Company's directors	Purchase of tools, technical equipment and goods	Close to market value.

18.2 Assets and liabilities transaction with related persons and parties are as follows :

Trade accounts payable

	2010	Baht	2009
Duwell Intertrade Limited	373,430.00		220,420.00

18.3 Revenues and expenses transaction with related persons and parties are as follows :

	2010	Baht	2009
Cost of services - purchase of goods			
Duwell Intertrade Limited	2,959,601.00		2,249,000.00
Administrative expenses - office rental			
Mrs. Monta Chaiyaban	102,000.00		102,000.00

18.4 Purchase of tools and technical equipment transactions with related persons and parties are as follows :

	2010	Baht	2009
Tools and technical equipment			
Duwell Intertrade Limited	1,722,090.00		373,500.00

19. EXPENSES ANALYZED BY NATURE

	2010	Baht	2009
Employee benefit expenses	114,100,765.10		111,263,044.08
Depreciation	19,593,798.05		19,759,839.15
Supplies used	19,073,903.42		25,509,562.93
Contractor wage	17,484,243.84		13,380,235.82
Travelling and accommodation expenses	9,810,351.14		7,674,933.54
Office expenses	4,857,122.15		5,038,674.92
Fee and consulting fee	1,825,730.47		1,753,511.28
Repairs and maintenance expenses	3,803,591.04		2,395,245.05
Directors' remuneration	1,880,794.21		1,826,000.00
Management benefit expenses	14,651,824.86		13,707,391.59

20. PROMOTIONAL PRIVILEGES

20.1 The Company was granted certain right and privileges as a promoted industry under the Promotion of Investment Act B.E. 2520 and the Board of Investment approved the activities under three promotion certificate for services providing of testing of welding and metal identification as the scientific testing, the certificate no. 1 dated December 28, 2005, no. 2 dated June 18, 2007 and no. 3 dated August 4, 2008. The significant privileges are as follows :

20.1.1 To exempt the customs duties for imported machinery as approved by the Board of Investment.

20.1.2 To exempt the corporate income tax from net profit for the period of 8 years from the date of income earnings derives from the promoted activity. In the case where a loss has been incurred during the period of receiving exemption, the annual loss was granted permission to deduct with net profit accrued after the expiration of the period of exemption of income tax for a period of 5 years.

20.1.3 The Company's shareholders will be exempt the corporate income tax for dividend received from the Company all duration of income tax exemption of the Company.

The Company must to comply with the certain conditions and terms as stipulated in promotional certificate.

20.2 The results of operation of the Company for the year ended December 31, 2010 and 2009 separated into promoted business and non-promoted business as follows :

	(Unit : Baht)					
	Promoted business		Non-promoted business		Total	
	2010	2009	2010	2009	2010	2009
Services income	240,244,676.59	239,805,395.33	36,714,166.21	38,344,335.66	276,958,842.80	278,149,730.99
Cost of services	(151,827,011.14)	(142,246,238.32)	(23,929,160.34)	(28,320,671.57)	(175,756,171.48)	(170,566,909.89)
Gross profit	88,417,665.45	97,559,157.01	12,785,005.87	10,023,664.09	101,202,671.32	107,582,821.10
Other income	0.00	0.00	1,824,179.01	1,559,370.55	1,824,179.01	1,559,370.55
Administrative expenses	(34,059,389.15)	(31,660,580.06)	(5,586,507.45)	(5,775,821.08)	(39,645,896.60)	(37,436,401.14)
Finance costs	(263,255.49)	(546,115.38)	(42,229.58)	(90,873.80)	(305,485.07)	(636,989.18)
Income tax	0.00	0.00	(1,803,951.17)	(1,058,653.61)	(1,803,951.17)	(1,058,653.61)
Net profit	54,095,020.81	65,352,461.57	7,176,496.68	4,657,686.15	61,271,517.49	70,010,147.72

21. SEGMENT INFORMATION

The Company's operation involve virtually a single in services providing for nondestructive testing and inspect, testing and certification of welding work, metal work and equipment in both domestic and an overseas geographical segment since the overseas segment had services income less than 10% of services volume, therefore, the financial information by segment has not been presented.

22. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

1) Accounting policy

The significant accounting policies and method adopted including the basis of recognition and measurement relating to each class of financial assets and liabilities have been disclosed in notes to financial statements no. 4.9.

2) Credit risk

Credit risk derives from failure by counterparties to discharge their obligations resulting in financial loss to the Company. The Company has policy to hedge this credit risk by reviewing the financial status of customers and collecting based on the percentage of completion. Financial assets shown in balance sheets at the book value deducted by allowance for doubtful accounts is maximum value of credit risk.

3) Interest rate risk

Interest rate risk from changes in market interest rate will affect the results of the Company and joint venture's operations and cash flows. The Company and subsidiaries exposed the interest rate risk due to its deposits at financial institutions, short-term loans, overdrafts and short-term loans from financial institutions and long-term loans. The Company and its subsidiaries do not use derivative financial instruments to hedge such risk.

4) Fair value of financial instruments

Financial assets shown in balance sheets consist of cash and deposits at financial institutions, short-term investment, trade accounts receivable, long-term investment and other receivables. Financial liabilities shown in balance sheet consist of trade accounts payable and other payables.

Book value of financial assets and liabilities are close to their fair value.

23. COMMITMENT AND CONTINGENT LIABILITIES

23.1 The Company has commitment under construction building agreement total amount as at December 31, 2010 of Baht 10.80 million.

23.2 The Company has contingent liabilities from a local bank's issuance of letter of guarantee for the results of work to customers of the Company and guarantee the electricity usage to government agency, total amount as at December 31, 2010 and 2009 of Baht 3.69 million and Baht 3.71 million respectively.

24. PROVIDENT FUND

On February 8, 2006, the Company has joined to be a member of provident fund named "Peum Kuan Mun Kong Registered Provident fund" which registered in accordance with the Provident Fund Act B.E. 2530 and the amendment by appointing the fund management to be fund manager. The fund is contributed to both by the employees and the Company at the same rate of 3-9% of length of works. The accumulation and benefits will be paid to the members upon their retirement, death or resignation.

This fund is managed by Kasikorn Thai Assets Management Company Limited. For the year 2010 and 2009, the Company has contribution expenses in the amount of Baht 2.27 million and Baht 2.29 million respectively.

25. CAPITAL MANAGEMENT

The objective of financial management of the Company is to maintain the continuity of operation capability and capital structure to be properly appropriated.

26. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Board of directors of the Company on February 26, 2011.



บริษัท ควอลลิเทค จำกัด (มหาชน)
Qualitech Public Company Limited

Head Office : 21/3 ถนนบ้านพลอง ตำบลมาบตาพุด อำเภอเมือง จังหวัดระยอง 21150
Rayong 21/3 Banplong Road, Maptaphut, Muang, Rayong 21150
Tel. 0 3869 1408-10 Fax. 0 3869 2028

Branch Office : 1/37 หมู่ 1 ตำบลหนองซาก อำเภอบ้านบึง จังหวัดชลบุรี 20170
Banbueng 1/37 Moo 1 Nongchak, Banbueng, Chonburi 20170
Tel. 0 3829 7302-4 Fax. 0 3829 7305