

Annual Report 2012



Financial Summary

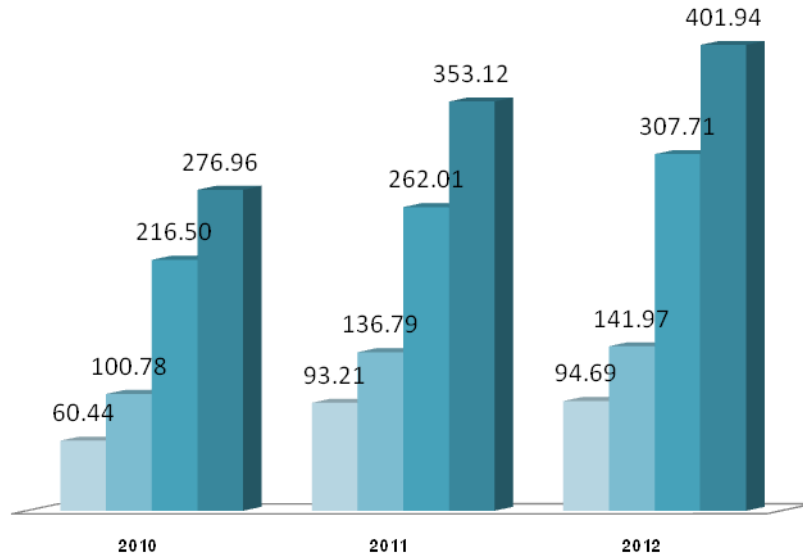
	2010	2011	2012
Statements of Comprehensive Income (Million Baht)			
Total Revenue	276.96	353.12	401.94
Cost of Services and Expenses	216.50	262.01	307.71
Gross Profit	100.78	136.79	141.97
Net Profit	60.44	93.21	94.69
Statements of Financial Position (Million Baht)			
Total Assets	266.24	342.77	397.91
Total Liabilities	34.09	57.48	58.61
Total Shareholders' Equity	232.15	285.29	339.30
Financial Ratio			
Gross Profit Ratio (%)	36.39	38.74	35.32
Net Profit Ratio (%)	21.82	26.40	23.56
Return on Equity (%)	27.45	36.03	30.32
Return on Total Asset (%)	23.97	30.61	25.57
Debt to Equity Ratio (Times)	0.15	0.20	0.17
Earnings Per Share			
Net Profit Per Share (Baht)*	0.67	0.99	0.99
Net Diluted Profit Per Share (Baht)**	0.67	0.99	0.98
Book Value Per Share (Baht)	2.58	3.17	3.40

* Number of shares outstanding computed using weighted average method

** Computed from 99,000,000 Shares outstanding

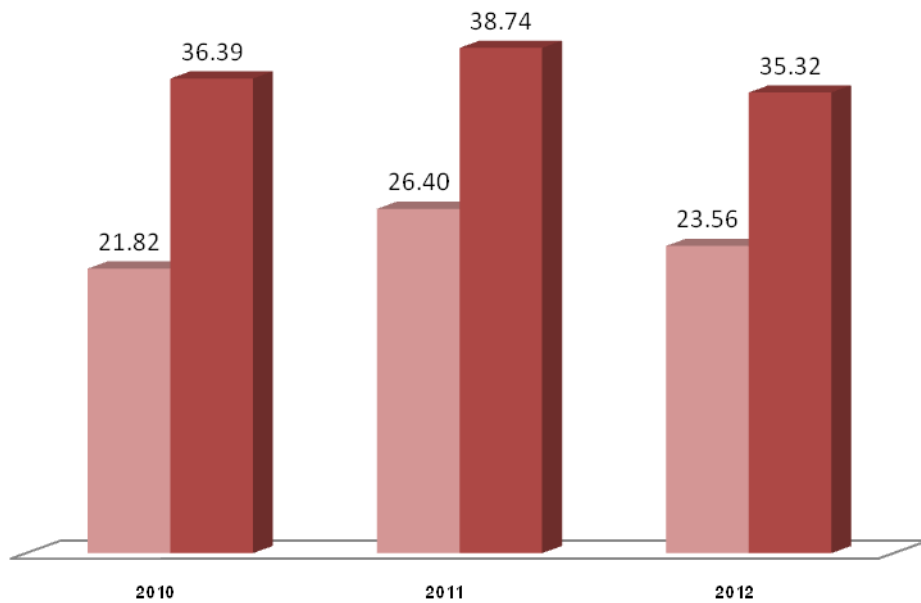
Financial Summery

■ Net Profit ■ Gross Profit ■ Cost of Services and Expenses ■ Total Revenue



Financial Ratio

■ Net Profit Ratio (%) ■ Gross Profit Ratio (%)



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Vision

The Company operates business in the field of safety engineering and provides the high quality services in accordance with the international standard by using modern technologies for the purpose of strengthen the public safety system and the company also sustain the development of organization and personnel competence to continuously achieve an international standard accreditation in order to become a leader in the Asean Economic Community (AEC).

Message from Board of Directors

Dear Shareholders,

In 2012, the company and its subsidiaries generated revenue 405.97 million baht, an increase of 13.58 % from the year earlier as a forecast whereas the consolidated net profit total 94.69 million baht which slightly increase from prior year 1.58 % due to higher cost of increasing minimum wage regarding the government 's campaign. Furthermore, the company was awarded in “Operation Outstanding of the year 2011” from The Stock Exchange of Thailand and also has been selected for the second time by the editors of Forbes Asia to awarded “Best Under Billion” as one in the region's TOP 200 small and midsize companies in Asia.

For the year 2013, the company will focus on organization developing to be certified under ISO and other international standards and also emphasize on employee engagement strategy in order to decrease employee turnover rate and trying to retain employee with the organization by supporting and developing in personnel competence and English language skill. Anyhow, the company will improve the information system and working procedure for more effectively working.

Lastly, The Board of Directors wishes to express sincere and warm appreciation to all respective shareholders for their continued support and good co-operative trustfulness. Also we are grateful to all employees for the efforts and performances which are in lined with company's strategy of which have rendered to Qualitech's success as stated in above.



Mr. Natee Boonparm

Chairman of the Board of Directors



Mr. Sannpat Rattakham

Managing Director

Report of Audit Committee

Dear Shareholders and all the related parties,

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 as follows;

1. Mr.Somyos Chiamchirungkorn, Chairman
2. Mr.Thinnakorn Seedasomboon, Audit Committee member
3. Mr.Sompong Songsaeng, Audit Committee member

In 2012, the Audit Committee's meeting had been conducted four times in total to responsibilities and actions of the audit committee are summarized herewith;

1. To review the accuracy and reliability of the annual financial statements 2012; 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 meet the Rules and Regulations of the Securities and Stock Exchange Commission of Thailand and the other businesses' related.
3. To review and evaluate the sufficient risk's management report of the company; in which it disclosed the risk prepared by the internal audits, opinion of the auditors and from the company operations under changing situations of economics, socials and domestic and international Politics.
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 in the time of the high competition with the unbounded communication channels.
5. To review the annual report of the company internal audit; in which it indicated the appropriate risk's management and the good progress and summary of the internal auditing system.
6. 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 Miss Somjintana Polhirunrat, Certified Public Accountant No. 5599, or Mr.Visut Pechpanichkul, Certified Public Accountant No. 7309 of D I A International Audit Co., Ltd. to be the company auditor for year 2013 with the auditing fee within the range of 835,000 Baht per year.

The audits performance had been participated and provided the comments and recommendations for the most company benefit without any restriction or limited information and all meetings were succeeded. I, on the behalf of The Audit Committee wish to take this opportunity to express the appreciation for the good cooperation from all parties.

Your Faithfully,



Mr.Somyos Chiamchirungkorn

Chairman of the Audit Committee

Board of Directors



Mr. Natee Boonparm
Chairman/Independent director



Mr. Sannpat Rattakham
Director/Executive director



Mr. Somchan Lubtikultham
Director/Executive director



Mr. Sumet Techachainiran
Director /Executive director



Mrs. Maneerat Rattakham
Director



Ms. Raschaneewan Rawirach
Director



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



Mr. Tinakorn Seedasomboon
Audit committee/
Independent director



Mr. Sompong Songsaeng
Audit committee/
Independent director

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 Bypass 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. Sanmpat 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 Maptaphut 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 Testing 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, Ministry 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 rai 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 first 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 recognized 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 Industrial Estate; Rayong Province. 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.

Year 2011

- In September 2011, the company has registered 2 subsidiaries are
 1. QLT International Company Limited, the objective is provide engineering safety inspection services in abroad and others concerned business. The registered capital is 5 million baht with the Company's shareholder is 99% of registered capital.
 2. Qualitech Myanmar Company Limited, the objective is provide engineering safety inspection services in Myanmar and others concerned business. The registered capital is 2 million baht with the Company's shareholder is 50.99% of registered capital.

Year 2012

- Carried out Transmission Pipeline Testing work for PTT Plc in the Fourth Transmission Pipeline Project which constructed by Punj Lloyd Limited.

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.

Revenue Structure

Unit : Million Baht

Type of Work	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
Non - Destructive Testing	135.68	48.67	177.94	49.78	221.66	54.60
Inspection and Certification	141.28	50.68	175.19	49.02	180.28	44.41
Others	1.82	0.65	4.29	1.20	4.04	0.99
Total Revenue	278.78	100.00	357.42	100.00	405.97	100.00

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 defection 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 99 million baht as 99 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 95.09 million baht, consisting of 95.09 million shares of common stocks.

Shareholding Structure

Rank	Name of Shareholders	December 31, 2012	
		No. of Shares	Percentage
1	Mr.Sannpat Rattakham Group ¹	22,211,260	23.36
2	Mr.Somchaan Lubtikultham Group ²	19,124,135	20.11
3	Mrs.Kulchirapas Touchkulisadej	8,791,240	9.25
4	Mr.Sumet Techachainiran Group ³	7,495,155	7.88
5	Khemwilad Family ⁴	7,350,000	7.73
6	Ms.Wimol Saetiao	3,675,000	3.86
7	Mr.Tawatchai Lipithorn	3,307,020	3.48
8	Mr.Harkichin Tanwanee	2,150,000	2.26
9	Ms.Rashaneewan Rawirach	1,680,000	1.77
10	Thai NVDR Company Limited	1,569,785	1.65
Total top ten major shareholders		77,353,595	81.35
Total no. of shares		95,089,535	100.00

Remark:

¹ Mr.Sannpat Rattakham Group:

Name	No. of shares	% of paid-up shares capital
Mr.Sannpat Rattakham	13,290,000	13.98
Ms.Yanakorn Rattakham	4,410,000	4.64
Mr.Krittin Rattakham	4,410,000	4.64
Ms.Pranee Rattakham	65,350	0.07
Mrs.Maneerat Rattakham	35,910	0.04
Total	22,211,260	23.36

² Mr.Somchaan Lubtikultham Group:

Name	No. of shares	% of paid-up shares capital
Mr.Somchaan Lubtikultham	10,027,500	10.55
Mr.Somchart Lubtikultham	4,410,000	4.64
Mrs.Noï Lubtikultham	4,410,000	4.64
Ms.Monchaya Lubtikultham	276,635	0.29
Total	19,124,135	20.11

³ Mr.Sumet Techachainiran Group:

Name	No. of shares	% of paid-up shares capital
Mr.Sumet Techachainiran	5,395,155	5.67
Ms.Natcha Techachainiran	2,100,000	2.21
Total	7,495,155	7.88

⁴ Khemwilad Family:

Name	No. of shares	% of paid-up shares capital
Ms.Pratum Khemwilad	4,042,500	4.25
Ms.Boontrarik Khemwilad	3,307,500	3.48
Total	7,350,000	7.73

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.

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	DAP
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,DAP,ACP

With Mrs.Maneerat Rattakham performs as the 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

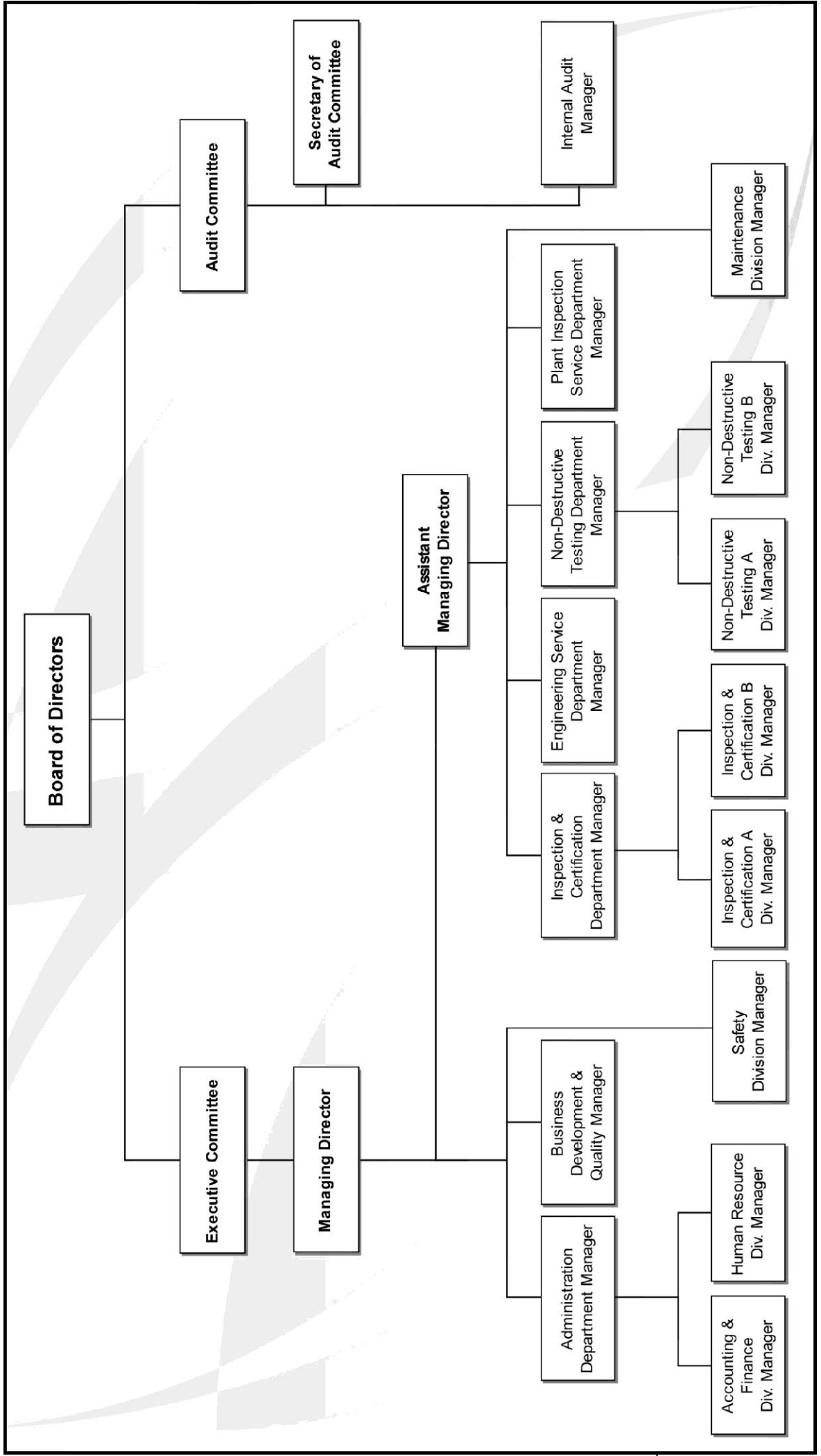
Two-third of whom to co-sign with the Company seal.

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.

Organization Chart

Qualitech Public Company Limited



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 performs as Secretary to the Audit Committee

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 |

Mr.Somchan Lubtikultham has resigned from Qualitech Public Company Limited, effective since 1st July, 2012

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 authorized 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 authorize 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. authorized 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. authorized 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.
13. authorized to act any related work that mentioned above until complete.

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 2012, held on Wednesday, April 11, 2012 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 2012 by the Board of Directors determining the amount to be paid to each director.

Attendance of the Meeting of Board of Directors in 2012

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 Techachainiran	4/4	-
6	Ms.Rashaneewan Rawirach	4/4	-
7	Mr.Somyos Chiamchirungkorn	4/4	4/4
8	Mr.Sompong Songseang	4/4	4/4
9	Mr.Tinakorn Seedasomboon	4/4	4/4

Directors' Remunerations in 2012

No.	Name of the Board of Directors	Meeting allowances	Bonus	Total
1	Mr.Natee Boonparm	60,000.00	272,165.00	332,165.00
2	Mr.Sannpat Rattakham	40,000.00	181,443.00	221,443.00
3	Mr.Somchaan Lubtikultham	40,000.00	181,443.00	221,443.00
4	Mrs.Maneerat Rattakham	40,000.00	181,443.00	221,443.00
5	Mr.Sumet Techachainiran	40,000.00	181,443.00	221,443.00
6	Ms.Rashaneewan Rawirach	40,000.00	181,443.00	221,443.00
7	Mr.Somyos Chiamchirungkorn	96,000.00	217,734.00	313,734.00
8	Mr.Sompong Songseang	80,000.00	181,443.00	261,443.00
9	Mr.Tinakorn Seedasomboon	80,000.00	181,443.00	261,443.00
Total		516,000.00	1,760,000.00	2,276,000.00

Directorial remuneration summary for 2011 and 2012

Remuneration	2010		2011	
	Person	Baht	Person	Baht
Meeting allowances	9	516,000.00	9	516,000.00
Bonus	9	1,760,000.00	9	1,760,000.00
Total		2,276,000.00		2,276,000.00

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 totaling 16,517,038.75 baht in 2012.

(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 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 authorize 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.

The company will compile the agenda information and published on the company's website at www.qualitechplc.com (click at investors relations > shareholder information > shareholders' meeting invitation letter) 30 days prior to the meeting so that shareholders have sufficient time to study the information ahead 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.

Complaint or comment to the company through following channels;

- **website :** <http://www.qualitechplc.com/index.php/th/webboard>
- E-mail : info@qualitechplc.com
- Tel : 038-691408-10 Fax: 038-692028
- Mail to : 1. Ms.Kunlanit Sarapab, Administration Department Manager
2. Mrs.Wimol Saephung, Audit Committee's secretary

Qualitech Plc. 21/3 Banplong Road, Maptaphut, Muang, Rayong 21150.

- For employees can complaint or suggest an opinion to operation committee via internal email of the company.

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 Miss. Kunlanit Sarapab, Administration Department Manger 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 directors are allowed to take a position of committee in other listed companies not exceed 3 companied.

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.

1 Sufficiency of Internal Control System

At the meeting of the Board of Directors of public company limited no. 1/2013 on 16 February 2013, 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 authorized by law to inspect within reasonable time.

DIA, an audit firm of the Company, has examined the internal system in the year 2011 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 Transaction

Related transactions of the Company with persons who may be in conflict of interests that arose in the year 2012 are as follows:

Person/juristic Person who may be in conflict of interests	Relation	Nature and value of the transaction	Necessity and reasonableness
Mr.Sannpat Rattakham	Director and shareholder	Mr.Sannpat, in his personal capacity, guaranteed the hire-purchase agreement of car to be used for the operation. The remaining value is 2012 : 0.00 million baht 2011 : 0.55 million baht	Mr.Sannpat provided, in his personal capacity, guarantee to the Company without receiving any return. 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.
Mrs.Montha Chaiyabal	Near relative of the Company's directors and shareholders	Renting 4-storey commercial building, No. 50 Soi Pattanakarn 57. 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 2012 : 0.10 million baht 2011 : 0.10 million baht	This item is a rent for office space for dealing business in Bangkok. The audit committee is of the view that this item is reasonable and the rent, assessed by independent evaluator, is fair.
Qualitech Myanmar Co., Ltd.	Shareholder and director are the director and shareholder of the company	Employment Cost 2012 : 1.35 million baht 2011 : 0.25 million baht	The value of employment cost is comparable to employment cost of other company

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

Tables of Qualitech Public Company Limited's Financial Statements

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 to 2012

Unit : Thousand Baht

Result of the Operation	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
Total income	278,783.02	100.00	357,416.83	100.00	405,973.16	100.00
Service income	276,958.84	99.35	353,122.36	98.80	401,936.27	99.01
Cost of services	176,175.08	63.19	216,329.86	60.53	259,964.00	64.03
Gross Profit	100,783.76	36.38*	136,792.50	38.73*	141,972.27	35.32*
Other income	1,824.18	0.65	4,294.47	1.20	4,036.89	0.99
Profit before expenses	102,607.94	36.81	141,086.97	39.47	146,009.16	35.97
Administrative expenses	30,588.15	10.97	33,976.08	9.51	37,000.21	9.11
Directors' remuneration	1,880.79	0.67	2,094.02	0.59	2,276.43	0.56
Management benefit expenses	7,587.21	2.72	9,294.90	2.60	8,327.98	2.05
Total expenses	40,056.15	14.37	45,365.00	12.69	47,604.62	11.73
Profit before finance costs and income tax	62,551.79	22.44	95,721.97	26.78	98,575.56	24.28
Finance costs	305.49	0.11	308.95	0.09	319.80	0.08
Profit before income tax	62,246.30	22.33	95,413.02	26.70	98,255.76	24.20
Income tax	1,803.95	0.65	2,199.94	0.62	3,561.11	0.88
Net Profit	60,442.35	21.68	93,213.08	26.08	94,694.65	23.33
Basic earnings per share (Baht)	0.67		0.99		0.99	
Diluted earnings per share (Baht)	0.67		0.99		0.98	
Book value per share (Baht)	2.58		3.17		3.40	
Par value (Baht)	1.00		1.00		1.00	

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

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2010 to 2012

Unit : Thousand Baht

Financial Status	December 31, 2010		December 31, 2011		December 31, 2012	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets						
Cash and cash equivalents	19,367.55	7.27	16,253.93	4.74	21,987.98	5.53
Current investment	72,409.42	27.20	91,625.69	26.73	104,035.99	26.15
Trade and other receivables	61,374.42	23.05	70,896.19	20.68	83,011.94	20.86
Unbilled services income	29,552.15	11.10	59,816.12	17.45	63,146.77	15.87
Inventories	5,847.49	2.20	5,919.01	1.73	5,150.75	1.29
Other current assets	-	-	-	-	-	-
Total current assets	188,551.03	70.82	244,510.94	71.33	277,333.43	69.70
Non-current assets						
Pledged bank deposit	-	-	3,000.00	0.88	9,500.00	2.39
Available for sales investment	10,054.87	3.78	5,028.31	1.47	-	-
Investment in subsidiary	-	-	-	-	-	-
Property, plant and equipment-net	60,857.09	22.86	79,252.01	23.12	106,733.53	26.82
Prepayment for purchase of fixed assets	-	-	6,002.06	1.75	-	-
Withholding income tax	6,675.72	2.51	4,059.54	1.18	4,057.87	1.02
Others-net	101.35	0.04	915.05	0.27	290.42	0.07
Total non-current assets	77,689.03	29.18	98,256.97	28.67	120,581.82	30.30
Total assets	266,240.06	100.00	342,767.91	100.00	397,915.25	100.00

Financial Status	December 31, 2010		December 31, 2011		December 31, 2012	
	Amount	%	Amount	%	Amount	%
Liabilities						
Current liabilities						
Trade and other payable	24,551.61	9.22	45,237.82	13.20	42,461.57	10.67
Current portion of long - term liabilities	2,332.81	0.88	2,053.86	0.60	2,379.77	0.60
Accrued income tax	-	-	-	-	324.91	0.08
Total current liabilities	26,884.42	10.10	47,291.68	13.80	45,166.25	2.45
Non-current liabilities						
Liabilities under financial lease agreement-net	1,431.31	0.54	3,294.00	0.96	4,558.16	1.15
Employee benefits obligation	5,772.91	2.17	6,893.26	2.01	8,888.17	2.23
Total non-current liabilities	7,204.22	2.71	10,187.26	2.97	13,446.33	3.38
Total liabilities	34,088.64	12.80	57,478.94	16.77	58,612.58	14.73
Shareholders' equity						
Authorized share capital	100,000.00	37.56	100,000.00	29.17	99,000.00	24.88
Issued and paid-up share capital	90,000.00	33.80	90,000.00	26.26	95,089.54	23.90
Premium on share capital	55,970.57	21.02	55,970.57	16.33	59,344.27	14.91
Equity-settled share-based payment reserve	-	-	-	-	699.47	0.18
Appropriated-legal reserve	10,000.00	3.76	10,000.00	2.92	10,000.00	2.51
Retained earnings	76,180.85	28.61	128,804.98	37.58	172,153.36	43.26
Other components of equity	-	-	179.32	0.05	-	-
Total owners of the Company	232,151.42	87.20	284,954.87	83.13	337,286.63	84.76
Non-controlling interests	-	-	334.10	0.10	2,016.04	0.51
Total shareholders' equity	232,151.42	87.20	285,288.97	83.23	339,302.67	85.27
Total liabilities and shareholders' equity	266,240.06	100.00	342,767.91	100.00	397,915.25	100.00

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 to 2012

Unit : Baht

	2010	2011	2012
Cash flows from operating activities			
Profit before income tax	62,246,301.66	95,413,019.48	98,255,763.83
Adjustments			
Reversed doubtful accounts	-	-	-
Doubtful accounts	108,923.30	(388,688.92)	9,361.56
Unbilled services income	(6,024,414.46)	(30,263,969.62)	(3,330,648.27)
Depreciation	19,593,523.71	16,435,157.31	19,582,568.23
(Gain) Loss on write off fixed assets	317,840.29	(763,365.54)	63,884.51
(Gain) Loss on impairment of assets	22,164.22	(21,603.73)	5,708.52
Write off withholding income tax	980.40	-	60,207.82
Unrealized loss on exchange rate	-	-	33,507.67
Employee benefits	829,167.00	1,120,347.00	3,283,754.00
Interest expenses	305,485.07	308,945.59	319,809.31
	77,399,971.19	81,839,841.57	118,283,917.18
(Increase) Decrease in portion of operating assets			
Trade and other receivables	(9,175,608.62)	(8,718,410.53)	(12,573,295.78)
Inventories	(2,851,636.15)	(71,511.13)	768,256.87
Other non-current assets	17,545.12	(792,102.15)	618,919.10
Increase (Decrease) in portion of operating liabilities			
Trade and other payable	322,568.41	17,877,214.95	(1,012,233.23)
Cash generated from operation	65,712,839.95	90,135,032.71	106,085,564.14
Interest paid	(305,485.07)	(308,945.59)	(319,809.31)
Income tax received (paid)	(1,399,025.91)	421,800.21	(3,294,740.22)
Net cash provided by operating activities	64,008,328.97	90,247,887.33	102,471,014.61

STATEMENTS OF CASH FLOWS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2010 to 2012

Unit : Baht

	2010	2011	2012
Cash flows from investing activities			
(Increase) Decrease in current investment	16,957,264.02	(14,070,723.30)	(7,561,310.97)
Increase in pledged bank deposit	-	(3,000,000.00)	(6,500,000.00)
(Increase) Decrease in available for sales investment	(10,054,874.17)	60,328.54	-
Payments for purchase ordinary share of subsidiary	-	-	-
Proceeds from sales of fixed assets	11,739.00	1,091,220.09	1,019,312.62
Payments for purchase of fixed assets	(28,731,050.02)	(28,310,629.97)	(39,311,816.71)
Prepayment for purchase of fixed assets	-	(6,002,055.00)	-
Net cash used in investing activities	(21,816,921.17)	(50,231,859.54)	(52,353,815.06)
Cash flows from financing activities			
Increase (Decrease) in short-term loans from related persons	-	-	-
Decrease in long-term loans	-	-	-
Decrease in liabilities under financial lease agreement	(2,774,148.32)	(2,874,794.57)	(2,592,684.38)
Proceeds from exercised of warrants to purchase ordinary shares	-	-	3,374,228.00
Proceeds from increase share capital	-	-	-
Proceeds from shareholders	-	245,150.00	735,225.00
Dividend paid	(31,500,000.00)	(40,500,000.00)	(45,899,927.00)
Net cash used in financing activities	(34,274,148.32)	(43,129,644.57)	(44,383,158.38)
Net increase (decrease) in cash and cash equivalents	7,917,259.48	(3,113,616.78)	5,734,041.17
Cash and cash equivalents as at January 1	11,450,291.89	19,367,551.37	16,253,934.59
Cash and cash equivalents as at December 31	19,367,551.37	16,253,934.59	21,987,975.76

Explanation and Analysis of Financial Status and Result of the Operation

Overall Result of the Previous Operation

The Company undertakes its business in engineering and safety inspection services 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 2011 and 2012, the Company's total revenue was 357.42 million baht and 405.97 million baht respectively increasing from preceding year 13.58%. The increase of this revenue was due to the increasing of Non-Destructive Testing service and Inspection and Certification service which efficiently provided one stop service.

Gross profit in 2011 and 2012 were 136.79 million baht and 142.14 million baht; in which they represented the gross margin about 38.74% and 35.36% respectively. The gross margin decreased due to the expansion of employment; such as raising salary for employees, recruiting more employees for future expandable services. Besides, the price of essential products and materials were increased. In the overall, the Company has the net income of 93.21 million baht in 2011 and 94.69 million baht in 2012 which represented the net profit about 26.40% in 2011 and 23.56% in 2012 respectively.

Analysis of Result of the Operation

Revenue

Unit: Million Baht

Type of Work	2011		2012	
	Amount	%	Amount	%
Non-Destructive Testing	177.94	49.78	221.66	54.60
Inspection and Certification	175.19	49.02	180.28	44.41
Others	4.29	1.20	4.04	0.99
Total Revenue	357.42	100.00	405.98	100.00

Total revenue of the Company in 2011 and 2012 was 354.42 million baht and 405.97 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 which the customers are mainly contractors; such as the storage tank fabrication project, the gas transmission pipeline inspection, etc. In 2011 and 2012, the revenue from non-destructive testing services (NDT) was 177.94 million baht and 221.60 million baht increased from the previous year in the range of 24.57% respectively. Majority of the revenue is from expansion of services for customers.

(2) Providing the inspection and qualification services. During 2011 and 2012, the revenue from the services was 175.19 million baht and 180.28 million baht which increased from the previous year in the range of 2.91%. The growth of revenue from the services 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, reinforce the existing customer retention and find the new customers.

The other revenue was from interest income, the gain from exchange rate and selling the asset in 2011 and 2012 which were 4.29 million baht and 4.04 million baht respectively.

Cost of Services and Gross Profit

Services cost in 2011 and 2012 were 216.33 million baht and 259.79 million baht which represented and related with the gross margin around 38.74% and 35.36% respectively. The gross margin decreased due to the price of essential products and materials were increased. Besides, the company had recruited more employees for future expandable services.

Selling and Administrative Expenditure

Selling and Administrative Expenditure in 2011 and 2012 were 45.36 million baht and 47.64 million baht which were 12.85% and 11.84% of the total revenue, respectively. The majority of selling and administrative expenses were the expansion of office for more employees in 2012.

Net Profit and Return on Equity

Net profit in 2011 and 2012 were 93.21 million baht and 94.69 million baht which represented the net profit margin 26.40% and 23.56% respectively. In 2012, the net profit margin decreased from year 2011 due to the employees' expense such as raising salary for employees, recruiting more employees for future expandable services and also the price of essential products and materials were increased.

The earning per share in year 2011 and 2012 were 0.99 baht and 0.99 baht per share, respectively.

Analysis of Financial Status

Assets

The total assets at the end of year 2011 and 2012 were 342.77 million baht and 397.91 million baht; in which they represented growth rate 16.09%.

The current assets at the year end 2011 and 2012 were 244.51 million baht and 277.33 million baht which they were equivalent to 71.33% and 69.70% of the total assets in each year, respectively.

In 2011 and 2012, the company has the temporary current investment around 91.62 million baht and 104.03 million baht, respectively. It is a company policy to put the surplus cash and invest in the low-risk and high-liquidity bond.

In 2011 and 2012, the trade account receivables at the year-end were 70.89 million baht and 83.01 million baht respectively. The duration of collection was 85 days in 2011 and 78 days in 2012. In the normal business case, after issues 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 customer after billing process about 30-45 days. Thus, the average collection would be around 78 days.

Recognition of revenue corresponds to the completed work in accordance with document summarizing work in process of each project, meaning that project has the customer endorsement but not in invoice yet. In 2011 and 2012 were 59.82 million baht and 63.15 million baht respectively.

Source of Funding

In 2011 and 2012, the total liabilities at the year-end were 57.47 million baht and 58.61 million baht respectively. Most of them were in the current liabilities equivalent to 47.29 million baht in 2010 and 45.17 million baht respectively. The majority of current liabilities were the accrued employee expenses, wages and salary.

Non-current liabilities at the year-end of 2011 and 2012 were 10.18 million baht and 13.45 million baht respectively. In year 2012, the company has increased non-current liabilities is vehicle loan according to the contract for used in the operation and the company estimated obligation of employees' benefits.

Shareholders' equity at the end of 2011 and 2012 were 285.28 million baht and 339.30 million baht respectively. In 2012, the dividends were paid from earning of 2011 in the amount of 27 million baht, and the company paid an interim dividend of 18.89 million baht.

Audit Fee

The financial statements of the Company has been audited and reviewed by Miss Somjintana Polhirunrat, an auditor with a license no.5599, from DIA International Company Limited. The total expense in 2011 is 760,000 baht.

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2012 AND 2011

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To The Shareholders of
Qualitech Public Company Limited

I have audited the accompanying consolidated and separate financial statements of Qualitech Public Company Limited and its subsidiaries and of Qualitech Public Company Limited, which comprise consolidated and separate statements of financial position as at December 31, 2012, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in shareholders' equity, and consolidated and separate statements of cash flows for the year then ended, including notes of summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Qualitech Public Company Limited and its subsidiaries and of Qualitech Public Company Limited as at December 31, 2012, and their financial performance and cash flows for the year then ended in accordance with the financial reporting standards.

D I A International Audit Co., Ltd.



(Miss Somjintana Polhirunrat)

C.P.A. (Thailand)

Registration No. 5599

February 16, 2013

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012 AND 2011

Assets	Note	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
		2012	2011	2012	2011
Current assets					
Cash and cash equivalents	6	21,987,975.76	16,253,934.59	19,252,107.93	14,599,670.42
Current investment	7	104,035,994.71	91,625,693.23	104,035,994.71	91,625,693.23
Trade and other receivables	8	83,011,943.76	70,896,189.29	80,033,281.17	70,199,200.23
Unbilled services income		63,146,770.15	59,816,121.88	63,146,770.15	59,816,121.88
Inventories		5,150,746.16	5,919,003.03	5,150,746.16	5,919,003.03
Total current assets		277,333,430.54	244,510,942.02	271,618,900.12	242,159,688.79
Non-current assets					
Investment available for sales	7	0.00	5,028,312.58	0.00	5,028,312.58
Investment in subsidiaries	9	0.00	0.00	2,269,625.00	1,504,850.00
Pledged bank deposits		9,500,000.00	3,000,000.00	9,500,000.00	3,000,000.00
Property, plant and equipment	10	106,733,527.05	79,252,010.50	106,688,194.27	79,252,010.50
Prepayment for purchase of fixed assets		0.00	6,002,054.90	0.00	6,002,054.90
Withholding income tax		4,057,869.54	4,059,536.08	4,057,800.49	4,059,536.08
Others non-current assets	11	290,423.92	915,051.54	290,423.92	908,651.54
Total non-current assets		120,581,820.51	98,256,965.60	122,806,043.68	99,755,415.60
Total assets		397,915,251.05	342,767,907.62	394,424,943.80	341,915,104.39

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Cont.)

AS AT DECEMBER 31, 2012 AND 2011

Liabilities and shareholders' equity	Note	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
		2012	2011	2012	2011
Current liabilities					
Trade and other payables		42,461,572.18	45,237,817.19	42,186,329.51	44,737,155.35
Current portion of long-term liabilities	12	2,379,766.64	2,053,857.79	2,379,766.64	2,053,857.79
Accrued income tax		324,912.71	0.00	0.00	0.00
Total current liabilities		<u>45,166,251.53</u>	<u>47,291,674.98</u>	<u>44,566,096.15</u>	<u>46,791,013.14</u>
Non-current liabilities					
Financial lease liabilities	12	4,558,155.91	3,293,999.14	4,558,155.91	3,293,999.14
Employee benefit obligations		8,888,175.00	6,893,260.00	8,888,175.00	6,893,260.00
Total non-current liabilities		<u>13,446,330.91</u>	<u>10,187,259.14</u>	<u>13,446,330.91</u>	<u>10,187,259.14</u>
Total liabilities		<u>58,612,582.44</u>	<u>57,478,934.12</u>	<u>58,012,427.06</u>	<u>56,978,272.28</u>
Shareholders' equity					
Share capital					
Authorized share capital	13				
99,000,000 common shares of					
Baht 1 each		<u>99,000,000.00</u>		<u>99,000,000.00</u>	
Authorized share 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	13				
95,089,535 common shares of					
Baht 1 each		95,089,535.00		95,089,535.00	
90,000,000 common shares of					
Baht 1 each			90,000,000.00		90,000,000.00
Premium on share capital		59,344,268.49	55,970,571.40	59,344,268.49	55,970,571.40
Equity-settled share-based payment reserve	13	699,469.91	0.00	699,469.91	0.00
Retained earnings					
Appropriated - legal reserve	14	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00
Unappropriated	15	172,153,355.14	128,804,975.38	171,279,243.34	128,786,938.64
Other components of equity		0.00	179,322.07	0.00	179,322.07
Total owners of the Company		<u>337,286,628.54</u>	<u>284,954,868.85</u>	<u>336,412,516.74</u>	<u>284,936,832.11</u>
Non-controlling interests		2,016,040.07	334,104.65	0.00	0.00
Total shareholders' equity		<u>339,302,668.61</u>	<u>285,288,973.50</u>	<u>336,412,516.74</u>	<u>284,936,832.11</u>
Total liabilities and shareholders' equity		<u>397,915,251.05</u>	<u>342,767,907.62</u>	<u>394,424,943.80</u>	<u>341,915,104.39</u>

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Note	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
		2012	2011	2012	2011
Services income		401,936,272.72	353,122,363.80	392,649,272.82	352,562,118.23
Cost of services		(259,964,002.32)	(216,329,863.64)	(253,307,505.65)	(216,084,347.62)
Gross profit		141,972,270.40	136,792,500.16	139,341,767.17	136,477,770.61
Other income		4,036,894.14	4,294,469.43	3,806,352.13	4,281,214.52
Administrative expenses		(47,433,591.40)	(45,365,004.52)	(46,824,806.58)	(45,149,573.49)
Finance costs		(319,809.31)	(308,945.59)	(319,809.31)	(308,945.59)
Profit before income tax		98,255,763.83	95,413,019.48	96,003,503.41	95,300,466.05
Income tax expenses	16	(3,561,111.65)	(2,199,941.15)	(3,111,636.71)	(2,194,379.11)
Profit for the period		94,694,652.18	93,213,078.33	92,891,866.70	93,106,086.94
Other comprehensive income (expense)					
Unrealized gain on changes in investment valuation		(179,322.07)	179,322.07	(179,322.07)	179,322.07
Total comprehensive income for the period		94,515,330.11	93,392,400.40	92,712,544.63	93,285,409.01
Profit attributable to :					
Owners of the Company		93,747,941.76	93,124,123.68	92,891,866.70	93,106,086.94
Non-controlling interests		946,710.42	88,954.65	0.00	0.00
		94,694,652.18	93,213,078.33	92,891,866.70	93,106,086.94
Total comprehensive income attributable to :					
Owners of the Company		93,568,619.69	93,303,445.75	92,712,544.63	93,285,409.01
Non-controlling interests		946,710.42	88,954.65	0.00	0.00
		94,515,330.11	93,392,400.40	92,712,544.63	93,285,409.01
Earnings per share					
Basic earnings per share	17	0.99	0.99	0.98	0.99
Weighted average number of common shares	17	94,664,033	94,499,635	94,664,033	94,499,635
Diluted earnings per share	17	0.98	0.99	0.98	0.99
Weighted average number of common shares	17	95,258,883	94,499,635	95,258,883	94,499,635

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before income tax	98,255,763.83	95,413,019.48	96,003,503.41	95,300,466.05
Adjustments				
Doubtful accounts	9,361.56	(388,688.92)	9,361.56	(388,688.92)
Increase in unbilled service income	(3,330,648.27)	(30,263,969.62)	(3,330,648.27)	(30,263,969.62)
Depreciation	19,582,568.23	16,435,157.31	19,565,816.56	16,435,157.31
(Gain) Loss on disposal of fixed assets	63,884.51	(763,365.54)	31,796.81	(763,365.54)
(Gain) Loss on impairment of assets	5,708.52	(21,603.73)	5,708.52	(21,603.73)
Write off withholding income tax	60,207.82	0.00	60,207.82	0.00
Unrealized loss on exchange rate	33,507.67	0.00	0.00	0.00
Employee benefits	3,283,754.00	1,120,347.00	3,283,754.00	1,120,347.00
Interest expenses	319,809.31	308,945.59	319,809.31	308,945.59
	118,283,917.18	81,839,841.57	115,949,309.72	81,727,288.14
(Increase) Decrease in portion of operating assets				
Trade and other receivables	(12,573,295.78)	(8,718,410.53)	(10,258,114.58)	(8,021,421.47)
Inventories	768,256.87	(71,511.13)	768,256.87	(71,511.13)
Other non-current assets	618,919.10	(792,102.15)	612,519.10	(785,702.15)
Increase (Decrease) in portion of operating liabilities				
Trade and other payables	(1,012,233.23)	17,877,214.95	(786,814.06)	17,382,109.85
Cash generated (paid) from operation	106,085,564.14	90,135,032.71	106,285,157.05	90,230,763.24
Interest paid	(319,809.31)	(308,945.59)	(319,809.31)	(308,945.59)
Income tax received (paid)	(3,294,740.22)	421,800.21	(3,170,108.94)	421,805.51
Net cash provided by operating activities	102,471,014.61	90,247,887.33	102,795,238.80	90,343,623.16

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Cont.)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2012	2011	2012	2011
Cash flows from investing activities				
Increase in current investment	(7,561,310.97)	(14,070,723.30)	(7,561,310.97)	(14,070,723.30)
Decrease in investment available for sales	0.00	60,328.54	0.00	60,328.54
Payments for purchase ordinary share of subsidiary	0.00	0.00	(764,775.00)	(1,504,850.00)
Increase in pledged bank deposit	(6,500,000.00)	(3,000,000.00)	(6,500,000.00)	(3,000,000.00)
Proceeds from sales of fixed assets	1,019,312.62	1,091,220.09	862,762.62	1,091,220.09
Payments for purchase of fixed assets	(39,311,816.71)	(28,310,629.97)	(39,061,094.56)	(28,310,629.97)
Prepayment for purchase of fixed assets	0.00	(6,002,054.90)	0.00	(6,002,054.90)
Net cash used in investing activities	(52,353,815.06)	(50,231,859.54)	(53,024,417.91)	(51,736,709.54)
Cash flows from financing activities				
Decrease in financial lease liabilities	(2,592,684.38)	(2,874,794.57)	(2,592,684.38)	(2,874,794.57)
Proceeds from exercised of warrants to purchase ordinary shares	3,374,228.00	0.00	3,374,228.00	0.00
Dividend paid	(45,899,927.00)	(40,500,000.00)	(45,899,927.00)	(40,500,000.00)
Proceeds from non-controlling interests	735,225.00	245,150.00	0.00	0.00
Net cash provided by (used in) financing activities	(44,383,158.38)	(43,129,644.57)	(45,118,383.38)	(43,374,794.57)
Net increase (decrease) in cash and cash equivalents	5,734,041.17	(3,113,616.78)	4,652,437.51	(4,767,880.95)
Cash and cash equivalents as at January 1	16,253,934.59	19,367,551.37	14,599,670.42	19,367,551.37
Cash and cash equivalents as at December 31	21,987,975.76	16,253,934.59	19,252,107.93	14,599,670.42

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2012 AND 2011

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. PREPARATION OF FINANCIAL STATEMENTS BASIS

- 2.1 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 September 28, 2011 regarding the condensed form should be included in the financial statements B.E. 2554 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.

- 2.2 The Federation of Accounting Professions issued new and revise financial reporting standards of which pronounced in the Royal Gazette which have not been effective in the year 2012 as follows :

Accounting Standards	Contents	Effective date
TAS 12	Income Taxes	January 1, 2013
TAS 20	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
Financial Reporting Standards	Contents	Effective date
TFRS 8	Operation Segments	January 1, 2013
Standing Interpretations		
TSIC 10	Government Assistance-No Specific Relation to Operating Activities	January 1, 2013
TSIC 21	Income Taxes- Recovery of Revalued Non-Depreciable Assets	January 1, 2013
TSIC 25	Income Taxes- Changes in the Tax Status of an Enterprises or its Shareholders	
TSIC 29	Service Concession Arrangements Disclosures	January 1, 2014
Financial Reporting Interpretations		
TFRIC 4	Determining whether an Arrangement contains a Lease	January 1, 2014
TFRIC 12	Service Concession Arrangements	January 1, 2014
TFRIC 13	Customers Loyalty Programmes	January 1, 2014
Accounting Guidance		
	Transfers of Financial Assets	January 1, 2013

Financial reporting standards which are effective on January 1, 2014, the Company is being evaluated the effects of those standards on the financial statements in the year in which they are initially applied.

Financial reporting standards which are effective on January 1, 2013, have no significantly effected to the financial statements.

3. CONSOLIDATED FINANCIAL STATEMENTS PREPARATION BASIS

3.1 The consolidated financial statements have been prepared by including the financial statements of its subsidiary in which Qualitech Public Company Limited has ability to control in making financial and operating decisions as below :

	Percentage of investment %		Type of Business
	2012	2011	
Subsidiaries			
QLT International Limited	99.99	99.99	Security engineering services in overseas
Qualitech Myanmar Limited	50.99	50.99	Security engineering services in Myanmar

3.2 The consolidated financial statements have been prepared in conformity with the same accounting policy for the same accounts and accounting events of the Company and subsidiaries.

3.3 The balance of accounts and transactions between Qualitech Public Company Limited and its subsidiary, unrealized gain between of the Company and net assets of subsidiary have been eliminated from the consolidated financial statements.

3.4 In during the third quarter, on September 1, 2011, the Company has investment in the two subsidiaries which are new incorporation.

4. SUMMARY 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 are stated at fair values. Gain or loss on changes in fair value is recognized as income or expenses in the statements of comprehensive 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.

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). Cost of assets including the dismantlement, removal and restoration.

4.6.2 Building and equipment are depreciation on a straight-line basis over the estimated useful lives of the assets the depreciation charge has to be determined separately for each significant parts of property, plant and equipment with the cost that is significant in relation to the total cost of assets item. In addition, the entity is required to review the useful lives, residual value and depreciation method at least at each financial year-end.

The estimated useful lives of the assets are 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 comprehensive 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 statements of financial position 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 statements of financial position, consist of cash and cash equivalents, current investment, trade accounts receivable, other receivables, trade account payable, other payables and financial lease liabilities. 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 comprehensive income in the period in which they are incurred.

4.11.2 Post-Employee benefits

The Company provides for post-employment benefits, payable to employees under the Thai Labor Law. The present value of employee benefit liabilities recognized in the financial statements is estimated on an actuarial basis using Projected Unit Credit Method by the independent experts (Actuary). The calculation was made by utilizing various assumptions about future events. The Company is responsible for the selection of appropriate assumptions.

The principal actuarial assumptions used for employee benefits calculation were summarized as follows;

Discount rate	4.5 per annum
Employee turnover	Age-related scale and kind of employees and daily staff
Mortality	According to Thailand TMO97 male and female tables

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 Earnings per Share

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

Diluted earnings per share is calculated by dividing net profit for the year by the weighted average of common share issued during the year added by the number of common shares issued for offering to warrant holders of the Company.

5. EFFECTS OF INITIAL ADOPTION FINANCIAL REPORTING STANDARDS

During the year 2011, the Company applied TAS 19 "Employee Benefits", in accordance with the FAP's notification, the Company thus taken employee benefits obligation to adjust the beginning of 2011 retained earnings and made retroactively adjustment the 2010 financial statements. From apply such accounting standards, the financial statements for the year ended December 31, 2011 represented the decrease in beginning retained earnings and increase in non-current liabilities by the same amount of Baht 5.77 million.

6. ADDITION DISCLOSURE OF STATEMENTS OF CASH FLOWS INFORMATION

6.1 Cash and cash equivalents

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2012	2011	2012	2011
Cash	333,661.23	333,255.96	283,661.23	313,255.96
Cash at bank - current accounts	33,000.00	33,000.00	33,000.00	33,000.00
Cash at bank - savings deposit	21,478,952.89	15,887,678.63	18,793,085.06	14,253,414.46
Cash at bank - fixed deposit	142,361.64	0.00	142,361.64	0.00
Total	21,987,975.76	16,253,934.59	19,252,107.93	14,599,670.42

6.2 Non - cash transaction

In 2012, the Company entered into hire purchase vehicles agreement of Baht 5.58 million which was already made the initial installment in the amount of Baht 1.39 million. The remaining is presented as financial lease liabilities.

In 2011, the Company entered into hire purchase vehicles agreement of Baht 5.95 million which was already made the initial installment in the amount of Baht 1.49 million. The remaining is presented as financial lease liabilities

7. CURRENT INVESTMENT

	Consolidated and Separate financial statements (Baht)	
	2012	2011
Investment in open-end fund :-		
SCB Savings Fixed Income Fund (SCBSFF)	0.00	8,823,279.41
T - Cash Fund	17,449,042.69	7,248,971.48
KTB Fixed Income Fund (KTFIX3M3)	0.00	15,388,178.77
KTB Saving Fund (KTSV)	0.00	5,170,633.38
The Krung Thai Fixed Income FIF12 (KTFF12)	0.00	4,994,630.19
Thanachart Capital Protection Government Bond 3M/3 Fund (TGOV3M3)	25,911,376.80	25,000,000.00
UOB Income Dairy	20,487,706.26	0.00
Krung Thai Thanasup B42 (KTSUPB42)	20,189,000.00	0.00
UOB Sure Dairy	4,992,263.37	0.00
Krung Thai Savings Fund (KTSS)	10,005,444.94	0.00
Total investment in open-end fund	99,034,834.06	66,625,693.23
Bank of Thailand Bonds (BOT 131A # 1/3/2553)	5,001,160.65	0.00
Cash at bank - Bills of Exchange	0.00	25,000,000.00
Total	104,035,994.71	91,625,693.23

Such fund invested in debt securities which had minimal risk.

Bank of Thailand Bonds (BOT 131A) matured on January 14, 2013 and as at December 31, 2011 are presented as investment available for sales since they are matured overdue 1 accounting period.

8. TRADE AND OTHER RECEIVABLES

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2012	2011	2012	2011
Trade accounts receivable	89,604,847.91	76,862,304.19	87,901,711.00	77,029,995.97
Other receivables	6,189,701.72	6,807,129.41	4,914,176.04	5,942,448.57
Total	95,794,549.63	83,669,433.60	92,815,887.04	82,972,444.54
Less Allowance for doubtful accounts				
- trade accounts receivable	(12,782,605.87)	(12,773,244.31)	(12,782,605.87)	(12,773,244.31)
Net	83,011,943.76	70,896,189.29	80,033,281.17	70,199,200.23

Billed trade accounts receivable separated on aging

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2012	2011	2012	2011
Undue trade accounts receivable	33,354,446.63	33,291,900.50	33,324,256.63	33,459,592.28
Overdue trade accounts receivable				
- Less than 3 months	39,814,373.18	28,600,216.83	38,825,350.53	28,600,216.83
- Over 3 months to 6 months	3,859,752.42	2,367,368.39	3,175,828.16	2,367,368.39
- Over 6 months to 12 months	145,646.60	94,730.00	145,646.60	94,730.00
- Over 12 months	12,430,629.08	12,508,088.47	12,430,629.08	12,508,088.47
Net	89,604,847.91	76,862,304.19	87,901,711.00	77,029,995.97

9. INVESTMENTS IN SUBSIDIARIES

Company's name	Type of business	Relationship	Paid-up share capital (Baht)		Percentage of shareholding		Separate financial statements (Baht)	
			2012	2011	2012	2011	2012	2011
QLT International Limited	Security engineering services in overseas	Common director and shareholder	1,250,000.00	1,250,000.00	99.99	99.99	1,249,925.00	1,249,925.00
Qualitech Myanmar Limited	Security engineering services in Myanmar	Common director and shareholder	2,000,000.00	500,000.00	50.99	50.99	1,019,700.00	254,925.00
Total							<u>2,269,625.00</u>	<u>1,504,850.00</u>

In the first quarter of 2012, Qualitech Myanmar Limited has called for and received the payment of common shares amount of Baht 1.50 million (20,000 common shares of Baht 75 each), resulting to the Company has fully issued and paid-up share capital equal to the registration.

The financial statements for the years ended December 31, 2012 and 2011 of above subsidiaries have been taken for preparing the consolidated financial statements which were audited by the auditor.

10. PROPERTY, PLANT AND EQUIPMENT

		Separate financial statements (Baht)									
		Land	Building	Building improvement	Office furniture and fixtures	Tools and technical equipment	Office equipment	Utilities system	Vehicles	Assets under construction	Total
Assets - cost :											
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
Purchase		4,000,000.00	0.00	298,660.00	2,059,175.69	10,382,115.91	807,471.43	0.00	8,301,017.66	9,804,187.12	35,652,627.81
Disposal		0.00	0.00	(22,000.00)	(30,732.71)	(2,539,398.96)	(191,448.90)	0.00	(2,803,526.88)	(494,700.00)	(6,081,807.45)
Transference		0.00	0.00	0.00	2,935.00	2,432.82	484,515.00	0.00	0.00	(489,882.82)	0.00
As at December 31, 2011		11,219,000.00	9,290,260.87	2,476,377.35	5,325,733.66	108,141,545.95	8,051,613.85	1,291,122.36	44,258,510.16	14,505,745.33	204,559,909.53
Purchase		7,500,000.00	0.00	5,384,166.77	1,428,939.57	22,266,708.34	1,667,105.08	0.00	5,777,140.00	3,872,500.00	47,896,559.76
Disposal		0.00	0.00	0.00	(66,774.06)	(4,333,845.71)	(195,346.73)	0.00	(2,936,260.46)	(125,418.91)	(7,657,645.87)
Transference		0.00	18,208,457.12	44,369.30	0.00	0.00	0.00	0.00	0.00	(18,252,826.42)	0.00
As at December 31, 2012		18,719,000.00	27,498,717.99	7,904,913.42	6,687,899.17	126,074,408.58	9,523,372.20	1,291,122.36	47,099,389.70	0.00	244,798,823.42
Accumulated depreciation :											
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
Depreciation for the year		0.00	417,886.17	107,612.19	293,506.23	13,562,659.04	1,379,724.94	0.00	673,768.74	0.00	16,435,157.31
Depreciation - write off		0.00	0.00	(6,904.07)	(24,596.15)	(2,239,871.51)	(184,361.29)	0.00	(2,803,519.88)	0.00	(5,259,252.90)
As at December 31, 2011		0.00	4,351,427.36	727,378.93	2,856,068.97	79,440,916.33	5,703,454.61	1,291,118.36	30,937,534.47	0.00	125,307,899.03
Depreciation for the year		0.00	1,263,634.14	291,542.13	813,640.13	14,697,975.52	1,365,927.34	0.00	1,133,097.30	0.00	19,565,816.56
Depreciation - write off		0.00	0.00	0.00	(54,820.25)	(4,160,408.83)	(192,098.48)	0.00	(2,355,758.88)	0.00	(6,763,086.44)
As at December 31, 2012		0.00	5,615,061.50	1,018,921.06	3,614,888.85	89,978,483.02	6,877,283.47	1,291,118.36	29,714,872.89	0.00	138,110,629.15
Net book value											
As at December 31, 2011		11,219,000.00	4,938,833.51	1,748,998.42	2,469,664.69	28,700,629.62	2,348,159.24	4.00	13,320,975.69	14,505,745.33	79,252,010.50
As at December 31, 2012		18,719,000.00	21,883,656.49	6,885,992.36	3,073,010.32	36,095,925.56	2,646,088.73	4.00	17,384,516.81	0.00	106,688,194.27

Two subsidiaries were incorporated as a company limited during the third quarter of 2011. As at December 31, 2012, subsidiaries have equipment with insignificant value.

As at December 31, 2011, land, building and building improvement at cost of Baht 33.41 million are mortgaged as collateral against 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 25.2). On February 10, 2012, the Company has stopped the using land, building and building improvement as collaterals against abovementioned liabilities and replaced by deposits at bank as collaterals.

Tools and technical equipment as at December 31, 2012

(Unit : Baht)			
Assets acquired	Cost	Accumulated depreciation	Net cost
Depreciation by straight - line method			
- Before October 23, 1999	2,299,120.03	(2,299,027.03)	93.00
- 2004 until present	46,742,025.65	(30,773,855.44)	15,968,170.21
Depreciation by double - declining balance method			
- Before October 23, 1999 to 2003	4,974,607.31	(4,974,543.31)	64.00
- 2006 until present	72,058,655.59	(51,931,057.24)	20,127,598.35
Total	126,074,408.58	(89,978,483.02)	36,095,925.56

Tools and technical equipment as at December 31, 2011

(Unit : Baht)			
Assets acquired	Cost	Accumulated depreciation	Net cost
Depreciation by straight - line method			
- Before October 23, 1999	3,123,364.03	(3,123,264.03)	100.00
- 2004 until present	36,882,116.25	(28,045,981.12)	8,836,135.13
Depreciation by double - declining balance method			
- Before October 23, 1999 to 2003	5,516,215.07	(5,516,143.07)	72.00
- 2006 until present	62,619,850.60	(42,755,528.11)	19,864,322.49
Total	108,141,545.95	(79,440,916.33)	28,700,629.62

Depreciation for the years ended December 31, 2012 and 2011 were Baht 14.70 million and Baht 13.56 million respectively.

11. OTHER NON-CURRENT ASSETS

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2012	2011	2012	2011
Deposit receivable under contract	3,912,987.99	4,531,215.61	3,912,987.99	4,531,215.61
Others	6,269.01	6,960.49	6,269.01	560.49
Total	3,919,257.00	4,538,176.10	3,919,257.00	4,531,776.10
Less Allowance for doubtful accounts	(3,622,564.07)	(3,622,564.07)	(3,622,564.07)	(3,622,564.07)
Provision for impairment of assets	(6,269.01)	(560.49)	(6,269.01)	(560.49)
Net	290,423.92	915,051.54	290,423.92	908,651.54

12. FINANCIAL LEASE LIABILITIES

1) Financial lease liabilities excluded future interest expenses as follows :

	Consolidated and Separate financial statements (Baht)	
	2012	2011
Hire purchase payable	6,937,922.55	5,347,856.93
Less Current portion of long-term liabilities	(2,379,766.64)	(2,053,857.79)
Net	4,558,155.91	3,293,999.14

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

	Consolidated and Separate financial statements (Baht)	
	2012	2011
Vehicles	13,418,037.38	11,240,037.38
Office equipment	242,780.16	242,780.16
Total	13,660,817.54	11,482,817.54

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

	Consolidated and Separate financial statements (Baht)	
	2012	2011
Within 1 year	2,717,909.75	2,327,070.79
Over 1 year less than 3 years	4,175,452.74	3,016,729.37
Over 3 years less than 5 years	569,103.00	414,116.97
Total	7,462,465.49	5,757,917.13
Less Future interest expenses of financial lease	(524,542.94)	(410,060.20)
Present value of financial lease liabilities	6,937,922.55	5,347,856.93

13. SHARE CAPITAL

13.1 According to the annual general shareholders' meeting for the year 2012 held on April 11, 2012, the shareholders passed the resolution as follow :

- 1) Decrease the registered shares capital from Baht 100 million to Baht 90 million by deducting unissued 10 million shares at par value of Baht 1 each, the Company has registered the decrease share capital with the Ministry of Commerce on April 24, 2012.
- 2) Increase the registered share capital for reserve the shares dividend payment and the exercised ESOP-warrants from Baht 90 million to Baht 99 million by issuing 9 million ordinary shares at par value of Baht 1 each, the Company has registered the increase share capital with the Ministry of Commerce on April 25, 2012.
- 3) Issue the ESOP-warrants for 4.50 million units at the exercised ratio of 1 unit of warrant per 1 ordinary share at the price of Baht 5.72 each. The exercise period is 3 years from the date of issuance and offering (in the 1st and 2nd year can be exercised right not exceed 30% and the remaining can be exercised in the 3rd year). The exercise right will be made on the 15th of March and September. On July 4, 2012, the Company issued 4.30 million units of warrants to the Company's management and/or employees without offering price. The Company will request the approval from the shareholders for remaining 0.20 million units of warrants in the next shareholders' meeting.

The increase and decrease of issued and paid-up share capital for the years ended December 31, 2012

are as follow :

	Number of shares	Baht
Common shares as at the beginning of the period	90,000,000	90,000,000.00
Share dividend	4,499,635	4,499,635.00
Common shares issued from exercise of warrants (QLT -ESOP)	589,900	589,900.00
Common shares as at the end of the period	<u>95,089,535</u>	<u>95,089,535.00</u>

13.2 Warrants

On July 4, 2012, the Company issued 4.30 million units of warrants to the Company's management and/or a employees without offering price at the exercised ratio of 1 unit of warrant per 1 ordinary share at the price of Baht 5.72 each. The exercise period is 3 years from the date of issuance and offering (in the 1st and 2nd year can be exercised right not exceed 30% and the remaining can be exercised in the 3rd year). The exercise right will be made on the 15th of March and September.

Estimated fair value of exercised right of warrants equal to Baht 0.9991 by using Black-Scholes Model such as stock price equal to Baht 6.40, exercise price is Baht 5.72, index volatility at 24.29%, dividend yield at the rate 5.47%, time to maturity 3 years and interest rate at 3.08%.

During the year ended December 31, 2012, the Company recorded expenses for the issuance of warrants to purchase common shares (QLT -ESOP) to the Company's management and employees amount of Baht 1.29 million which included in employee benefit expenses and recorded "Equity-settled share-based payment reserve" in shareholders' equity.

The increase and decrease of warrants for the years ended December 31, 2012 are as follows:

	Number of units
Warrants as at the beginning of the period	0
Warrants issuance	4,300,000
Exercise of warrants	<u>(589,900)</u>
Warrants as at the end of the period	<u><u>3,710,100</u></u>

14. 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 share capital. The reserve is not available for dividend distribution.

15. RETAINED EARNINGS APPROPRIATION

For the year 2012

According to the annual general shareholders' meeting for the year 2012 held on April 11, 2012, the shareholders passed the resolution to pay dividend from the result of profit for the year 2011 to the shareholders at Baht 0.55 per share for 90 million ordinary shares, total amount of Baht 49.50 million by dividing into:

- 1) Pay by cash dividend to the shareholders at Baht 0.50 per share, total amount of Baht 45 million by making interim dividend payment at Baht 0.20 per share, total amount of Baht 18 million on September 1, 2011, thus, the remaining annual dividend payment amount of Baht 27 million at Baht 0.30 per share.
- 2) Pay by shares dividend of the Company for amount not exceed Baht 4.50 million or at Baht 0.05 per share in the ratio of 20 existing shares per 1 share dividend (in case the indivisible shares less than 20 shares, the dividend will be paid by cash at Baht 0.05 per share). During the period, the Company has paid the dividend in fully amounts.

According to the minutes of Board of Directors' meeting no. 3/2012 held on August 10, 2012, passed the resolution to pay dividend from the result of profit for the year 2012 to the shareholders at Baht 0.20 per share for 94.50 million ordinary shares, total amount of Baht 18.90 million. During the year, the Company has paid such dividend in fully amount.

For the year 2011

According to the minutes of shareholders' general meeting for the year 2011 held on April 25, 2011, passed the resolution to pay dividend from profit of year 2010 to the shareholders at Baht 0.35 per share for 90 million shares, amounting to Baht 31.50 million. The Company has already paid interim dividend at Baht 0.10 per share on September 3, 2010, the remaining dividend for 90 million shares at Baht 0.25 each, amounting to Baht 22.50 million. During the year, the Company has paid the dividend in fully amount.

According to the minutes of Board of Directors' meeting no. 3/2011 held on August 6, 2011, passed the resolution to pay interim dividend to the shareholders at Baht 0.20 per share for 90 million shares, amounting to Baht 18.00 million. During the year, the Company has paid the interim dividend in fully amount.

16. INCOME TAX

Parent company

The Company calculated corporate income tax at the rate of 23% of profit (loss) before deducting with tax expenses (at the rate of 20% for the year 2011) and added back other expenses which shall not be allowed as expenses in tax calculation (if any) except the exempted profit derived from promoted activities (note 22).

Subsidiary

The subsidiary calculated corporate income tax at the rate of 15 -23% of profit (loss) before deducting with tax expenses (at the rate of 15 - 30% for the year 2011) and added back other expenses which shall not be allowed as expenses in tax calculation (if any).

17. EARNINGS PER SHARE

17.1 Earnings per share

Basic earnings per share 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 using the number of shares including the number of shares dividend issued to the shareholders (note 15) and was made retroactively adjustment to earnings per share for the year 2011 as below :

	Consolidated financial statements			
	Before share dividend payment		After share dividend payment	
	Earnings per share	Number of payment	Earnings per share	Number of payment
2012	-	-	0.99	94,664,033
2011	1.03	90,000,000	0.99	94,499,635

	Separate financial statements			
	Before share dividend payment		After share dividend payment	
	Earnings per share	Number of payment	Earnings per share	Number of payment
2012	-	-	0.98	94,664,033
2011	1.03	90,000,000	0.99	94,499,635

17.2 Diluted Earnings per share

Diluted earnings per share is determined by dividing the net profit (loss) for the year by the weighted average ordinary shares issued and paid-up during the year using the number of shares including the number of share dividend issued to the shareholders and was made retroactively adjustment to earnings per share for the year 2011 as mentioned in note 17.1 and the number of ordinary shares issued to the warrants-holders.

Consolidated financial statements

	Net profit			Number of shares			Earnings / share		
	2012	Baht	2011	2012	shares	2011	2012	Baht	2011
	Basic earnings per share								
Net profit (loss) of common									
shareholders	93,747,941.76		93,124,123.68	94,664,033		94,499,635	0.99		0.99
Effects of potential common									
share (exercise rights)	-		-	594,850		-			
Diluted earnings per share									
Profit (Loss) of common									
shareholders assumed									
as conversion to									
common share	93,747,941.76		93,124,123.68	95,258,883		94,499,635	0.98		0.99

Separate financial statements

	Net profit			Number of shares			Earnings / share		
	2012	Baht	2011	2012	shares	2011	2012	Baht	2011
	Basic earnings per share								
Net profit (loss) of common									
shareholders	92,891,866.70		93,106,086.94	94,664,033		94,499,635	0.98		0.99
Effects of potential common									
share (exercise rights)	-		-	594,850		-			
Diluted earnings per share									
Profit (Loss) of common									
shareholders assumed									
as conversion to									
common share	92,891,866.70		93,106,086.94	95,258,883		94,499,635	0.98		0.99

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 in June 2008
Subsidiary company			
Qualitech Myanmar Limitec Shareholding, common director and shareholder		Wages	Close to market value

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

	Consolidated financial statements (Bah)		Separate financial statements (Baht)	
	2012	2011	2012	2011
Trade accounts receivable				
Qualitech Myanmar Limited	0.00	0.00	56,716.21	268,651.78
Trade and other payables				
Qualitech Myanmar Limited	0.00	0.00	36,802.08	0.00

18.3 Revenues and expenses transaction with related persons and parties for the years ended December 31, 2012 and 2011 are as follows:

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2012	2011	2012	2011
Service income - wages				
Qualitech Myanmar Limited	0.00	0.00	1,364,219.37	251,076.43
	0.00	0.00	1,364,219.37	251,076.43
Cost of service - wages				
Qualitech Myanmar Limited	0.00	0.00	76,176.00	0.00
Administrative expenses - office rental				
Mrs. Monta Chaiyaban	102,000.00	102,000.00	102,000.00	102,000.00

19. DIRECTORS' REMUNERATION

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

20. MANAGEMENT BENEFIT EXPENSES

Management benefit expenses relating salaries, remunerations and other benefits paid to the directors and management, in accordance with the definitions of the Office of 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. Some of management benefit expenses are included in cost of services.

21. EXPENSES ANALYZED BY NATURE

Expenses analyzed by nature are as follows:

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2012	2011	2012	2011
Employee benefit expenses	167,777,558.97	143,659,593.77	167,730,386.80	143,659,593.77
Depreciation	19,582,568.23	16,435,157.31	19,565,816.56	16,435,157.31
Supplies used	38,671,844.29	27,115,492.93	35,034,377.34	27,100,607.43
Contractor wage	25,556,226.03	22,475,643.31	23,730,014.05	22,346,393.31
Travelling and accommodation expenses	12,721,929.12	11,599,957.54	12,006,431.99	11,469,952.23
Office expenses	6,978,785.08	5,575,497.30	6,942,332.55	5,572,037.80
Fee and consulting fee	3,038,545.48	2,457,395.07	2,876,269.05	2,280,313.43
Repairs and maintenance expenses	5,385,394.30	3,973,613.56	5,385,394.30	3,973,613.56
Directors' remuneration	2,276,435.77	2,094,016.38	2,276,435.77	2,094,016.38
Management benefit expenses	16,541,743.69	17,114,614.27	16,541,743.69	17,114,614.27

22. PROMOTIONAL PRIVILEGES

22.1 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:

22. PROMOTIONAL PRIVILEGES (CONT.)

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

22.1.2 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.

22.1.3 The Company's shareholders will be exempted 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.

22.2 The results of operation of the Company for the year ended December 31, 2012 and 2011 separated into promoted business and non-promoted business as follows:

	Consolidated financial statements (Baht)					
	Promoted business		Non-promoted business		Total	
	2012	2011	2012	2011	2012	2011
Services income	343,481,285.19	318,749,059.46	58,454,987.53	34,373,304.34	401,936,272.72	353,122,363.80
Cost of services	(219,673,772.40)	(193,653,243.34)	(40,119,192.95)	(22,676,620.30)	(259,792,965.35)	(216,329,863.64)
Gross profit	123,807,512.79	125,095,816.12	18,335,794.58	11,696,684.04	142,143,307.37	136,792,500.16
Other income	0.00	0.00	4,036,894.14	4,294,469.43	4,036,894.14	4,294,469.43
Administrative expenses	(40,725,581.36)	(40,312,326.00)	(6,879,047.01)	(5,052,678.52)	(47,604,628.37)	(45,365,004.52)
Finance costs	(277,076.44)	(275,964.57)	(42,732.87)	(32,981.02)	(319,809.31)	(308,945.59)
Income tax	0.00	0.00	(3,561,111.65)	(2,199,941.15)	(3,561,111.65)	(2,199,941.15)
Profit for the period	82,804,854.99	84,507,525.55	11,889,797.19	8,705,552.78	94,694,652.18	93,213,078.33

Two subsidiary companies were incorporated as a company limited during the third quarter of the year 2011.

23. 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.

24. 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 statements of financial position 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 exposed the interest rate risk due to its deposits at bank and financial lease liabilities. The Company do not use derivative financial instruments to hedge such risk.

4) Fair value of financial instruments

Financial assets shown in statemets of financial position consist of cash and cash equivalents and current investment, trade accounts receivable, long-term investment and other receivables. Financial liabilities shown in statemets of financial position consist of trade accounts payable, other payables and financial lease liabilities.

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

25. COMMITMENT AND CONTINGENT LIABILITIES

25.1 The Company has commitment under construction building agreement total amount as at December 31, 2011 amount of Baht 3.75 million.

25.2 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, 2012 and 2011 of Baht 4.86 million and Baht 6.21 million respectively. Contingent liabilities are guaranteed by bank deposits.

26. 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 2012 and 2011, the Company has contribution expenses in the amount of Baht 2.78 million and Baht 2.49 million respectively.

27. CAPITAL MANAGEMENT

The objective of financial management of the Company is to preserve the ability to continue its operation as a going concern and the capital structure to be properly appropriated.

28. EVENTS AFTER REPORTING PERIOD

According to the minutes of Board of directors' meeting No. 1/2013 held on February 16, 2013, passed to submit the approval to the shareholders' general meeting for dividend payment from the results of operation for the year 2012 to the shareholders totally Baht 66.44 million. The Company has already paid interim dividend in the amount of Baht 18.90 million (note 15), the remaining dividend is to be paid to 95.09 million shares at Baht 0.50 each, totally Baht 47.54 million.

29. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Board of directors of the Company on February 16, 2013.



บริษัท ควอลิตี้เทค จำกัด (มหาชน)

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