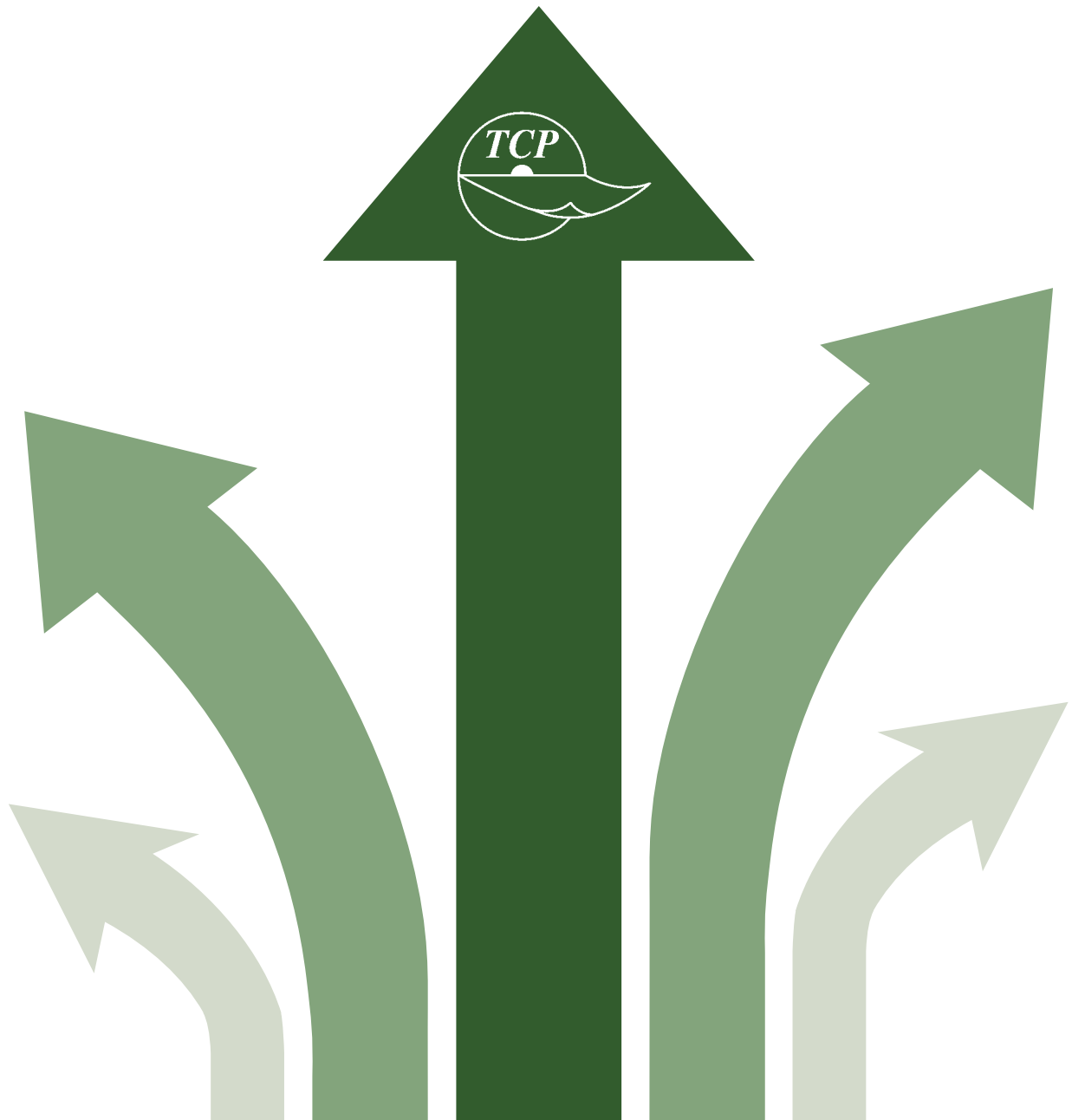


# DEVELOPMENT CONCERN



Annual Report 2010  
THAI CANE PAPER PUBLIC COMPANY LIMITED





# TEAM DEVELOPMENT



## Human Development

This year TCP engrossed in developing Company personnel, which covers development in working field, conducting oneself in the society, improving and fostering good thoughts and consciousness to the society, environment as well as to comport in a way that will benefit oneself and the company.





# GREEN DEVELOPMENT



## Environmental Development

TCP focuses in preserving the environment and developing it to a higher standard, both within the Company and the Milestone as well as the community around it. As we are aware that good environment is an essential to the community and the society about. This includes participating in the activities with people in the community to develop the milestone, community, the society and the environment to be in everlasting sustainable union.



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# VISION MISSION

## Vision

To be an innovative paper maker and supplier of choice for sustainable growth and better environment.

## Missions

- ➔ To be a leading and innovative producer and supplier of choice for quality packaging paper.
- ➔ To provide customers the highest standard of services.
- ➔ To create value and sustainable growth for shareholders and be admired by stakeholders.
- ➔ To provide employees full opportunities for career development and advancement.
- ➔ To strongly dedicate for safety and environment betterment.

## ➔ Message from the Board of Directors



In 2010, the world economy showed signs of recovery which was beneficial to better outlook for Thai economy. In spite of domestic political tension in the second quarter, Thai economy overcame the difficulty fairly well and has started to rebound dramatically due to the fact that public sector has carried out a policy on fiscal discipline and a credible monetary policy, accompany with the growth of export, travel industries and the continually expanding consumption of private sector. These factors led to an increase in the domestic expenditure and investment.

The global paper and packaging industry was highly competitive with the fluctuation both quality and prices of raw materials. The inadequate amount of pulp caused the prices to raise, thus domestic manufacturers had to increase the proportion of waste paper in order to use as a substitution for pulp, hence introducing new products into the market. Besides, the raw materials and energy price swing caused the overall expense of the production to increase.

To minimize the risk of the uncontrollable factors, the company conducted its business prudently by focusing on proactive management, financing cost effective administration, maintaining solid financial status, and highlighting business management thoroughly, especially the production cost as well as improving productivity continuously, the company also used the strategies of financial and liquidity management; by means of applying Working Capital in order to decrease financial cost. The company performance in 2009 was better than last year, as a result of reducing finished goods and raw material inventories, controlling operating expenses and closely monitoring credit approval. The company reported gross sales of 4,722 million Baht, gross revenue of 4,787 million Baht and net profit of 298 million Baht, comparing to last year which had gross sales of 3,724 million Baht, gross revenue of 3,731 million Baht and net profit of 202 million Baht.

Considering the operational performance, financial status, and the investment plan, the Board of Directors resolved to propose to the 2011 ordinary general meeting of Shareholders on March 18, 2011 the dividend of 0.60 Baht per share and will be paid on April 12, 2011.

The company diligently emphasized not only on cost effective management and controlling expenses, but also on total quality management through out the company by adopting the approach of Total Productivity Management (TPM) to decrease loss, increase productivity and effectiveness for better response to customer's demand both product quality and service. The company promoted its business to grow sustainably, develop its products quality continually, value added products with innovation, utilize resources and raw materials, including safety in the workplace so all staff can work in a safe and hygiene environment.



The company believed in the value of all employees and treated them as important asset. All staff was equipped theoretically and practically with business concept of sustainable development; by training and CSR activities field trip. These were the preparation for increasing their potential in order to support changes and create opportunities in the future.

The company had solid policies regarding the environmental and social responsibility which included the nearby communities. Efficient production management was applied to minimize its operating impact on environment and to be in line with international best practice. Environmental awareness was embedded in all staff; moreover the company supported the nearby communities for better good quality of life so both could live together in harmony. The activities launched include to conserve the river named “Rak Mae, Rak Mae Nam”, to support education by granting scholarship, public charity and vocational training programs for the communities.

The Board of Directors wishes to express appreciation to all shareholders, customers, trading partners, staff and all concerned parties for the continued support. We would assure that the company will conduct business ethically, in accordance to good corporate governance and sustainable growth. This will ensure the fairness benefits for shareholders, stakeholders and all concerned parties. The company pledged to enhance its calibre to be strengthened, increase competitiveness for growing a stable and sustainable business, and become the leading international kraft paper manufacturer that has innovation on customers’ choice for the purpose of sustainable development, and better environment according to the company’s vision.



**Mr. Roongrote Rangsiyopash**  
Chairman of the Board

**Mr. Twatchai Wongpaisarn**  
Managing Director

## ➔ Financial Highlights

	2010	2009	2008	2007	2006
<b>Statement of income (Million Baht)</b>					
Revenue from Sales	4,772	3,724	4,471	4,365	3,771
Total Revenue	4,787	3,731	4,483	4,377	3,783
Total Expenses	4,437	3,496	4,618	4,295	3,809
Net Income (Loss)	298	202	(101)	84	17
EBITDA	709	599	311	569	357
Net Cash Provided by Operating Activities	613	735	636	501	405
<b>Balance sheet (Million Baht)</b>					
Total Assets	6,059	6,030	6,245	6,919	7,127
Total Liabilities	826	916	1,334	1,871	2,163
Shareholders' Equity	5,233	5,114	4,911	5,047	4,964
<b>Share information</b>					
Total Number of Shares Issued (million shares)	358.39	358.39	358.39	358.39	358.39
Book Value Per Share (Baht)	14.61	14.27	13.71	14.09	13.86
Earnings (Losses) Per Share (Baht)	0.83	0.56	(0.28)	0.23	0.05
Dividends Per Share (Baht)	0.60	0.50	-	0.10	-
<b>Financial ratio</b>					
Gross Profit Margin (%)	11.49	11.56	1.90	7.25	5.84
Net Profit (Loss) Margin per Revenue from Sales (%)	6.25	5.43	(2.25)	1.91	0.45
Return on Total Assets (%)	4.94	3.30	(1.53)	1.19	0.24
Return on Equity (%)	5.77	4.04	(2.02)	1.67	0.34

## ➔ Operating Performance



In the year 2010, the factor that supported the company was the recovery of the world economy, resulting in continuously expansion of manufacturing, export, investment and the consumption of private sector, which lead to an increase in consumer goods that use Kraft paper as a packaging resulting from the increase in demand for Kraft paper. Even though, in the second quarter, the company had faced political tension and the appreciation of Thai baht in the fourth quarter. Thai Cane Paper Public Company Limited is still practices the operational strategies by emphasizing on administering the manufacturing capital continuously, increase the manufacturing efficiency to a higher standard, present the added value goods to customer, administer the working capital to be in line with the business, reduce inventories and control all the expenses resulting in an improvement of operations management from the previous years. Consequently, the company has the revenue from sales of 4,772 million baht, of which all of the said revenue came entirely from the domestic sales with the total revenue of 4,787 million baht and net profit of 298 million baht.

### ➔ REVENUE STRUCTURE FOR SALES OF THE COMPANY'S PRODUCTS

Total Sales Revenue (Million Baht)	Year 2010	%	Year 2009	%	Year 2008	%
<b>Categorized by Market :</b>						
1. Domestic Market	4,772.08	100.00	3,723.56	100.00	4,471.49	100.00
2. Overseas Market	-	-	-	-	-	-
<b>Total Sales Revenue</b>						
<b>- Categorized by Market</b>	<b>4,772.08</b>	<b>100.00</b>	<b>3,723.56</b>	<b>100.00</b>	<b>4,471.49</b>	<b>100.00</b>
<b>Categorized by Product :</b>						
1. Kraft paper liner - KLB	3,341.12	70.01	2,635.60	70.78	3,144.89	70.33
2. Corrugated medium - CA	1,430.96	29.99	1,087.96	29.22	1,326.60	29.67
<b>Total sales revenue</b>						
<b>- categorized by Product</b>	<b>4,772.08</b>	<b>100.00</b>	<b>3,723.56</b>	<b>100.00</b>	<b>4,471.49</b>	<b>100.00</b>
<b>Increase (Decrease) Rate of Sales Revenue (%)</b>	<b>28.16</b>		<b>(16.73)</b>		<b>2.44</b>	

## ➔ Business Structure

The Management Structure as at January 31, 2011

### ➔ THE BOARD OF DIRECTORS



**Mr. Roongrote Rangsiyopash**  
Chairman



**Mr. Krishna Sivakrisakul**  
Director



**Mr. Damri Tunshevavong**  
Director



**Mr. Paiboon Pongchairerks**  
Director



**Mr. Yunyong Puthapipat**  
Director



**Ms. Rawewan Peyayopanakul**  
Director



**Mr. Virapan Pulges**  
Director



**Mr. Somboon Chuchawal**  
Director



**Mr. Sobhon Dhammapalo**  
Director



**Pol. Maj. Gen. Urai See-Urai**  
Director



**Mr. Twatchai Wongpaisarn**  
Director

#### ➔ THE AUDIT COMMITTEE

- |                        |               |                                 |
|------------------------|---------------|---------------------------------|
| 1. Mr. Sobhon          | Dhammapalo    | Chairman of the Audit Committee |
| 2. Ms. Rawewan         | Peyayopanakul | Audit Committee Member          |
| 3. Pol. Maj. Gen. Urai | See-Urai      | Audit Committee Member          |

#### ➔ THE NOMINATION COMMITTEE

- |                        |              |                                      |
|------------------------|--------------|--------------------------------------|
| 1. Pol. Maj. Gen. Urai | See-Urai     | Chairman of the Nomination Committee |
| 2. Mr. Damri           | Tunshevavong | Nomination Committee Member          |
| 3. Mr. Virapan         | Pulges       | Nomination Committee Member          |

#### ➔ THE REMUNERATION COMMITTEE

- |                |              |  |
|----------------|--------------|--|
| 1. Mr. Krishna | Sivakrisakul | Chairman of the Remuneration Committee |
| 2. Mr. Yunyong | Puthapipat   | Remuneration Committee Member          |
| 3. Mr. Somboon | Chuchawal    | Remuneration Committee Member          |

#### ➔ THE EXECUTIVE COMMITTEE

- |                  |              |                                     |
|------------------|--------------|-------------------------------------|
| 1. Mr. Roongrote | Rangsiyopash | Chairman of the Executive Committee |
| 2. Mr. Damri     | Tunshevavong | Executive Committee                 |
| 3. Mr. Yunyong   | Puthapipat   | Executive Committee                 |
| 4. Mr. Somboon   | Chuchawal    | Executive Committee                 |
| 5. Mr. Twatchai  | Wongpaisarn  | Executive Committee                 |

#### ➔ THE EXECUTIVE OFFICERS

- |                   |                 |   |
|-------------------|-----------------|---|
| 1. Mr. Twatchai   | Wongpaisarn     | Managing Director   |
| 2. Mr. Suttipong  | Poomsrise-Ard   | Mill Manager – Prachinburi Mill                           |
| 3. Mr. Ong-ard    | Limprayulyong   | Executive Vice President – Finance,<br>Accounting and MIS |
| 4. Mrs. Naphaporn | Kanjanatawewat  | Executive Vice President – Marketing                      |
| 5. Mr. Prakorb    | Pikulkarntalerd | Mill Manager – Kanchanaburi Mill                          |

## ➔ Nature of Business



Thai Cane paper Public Company Limited primary business is being the manufacturer and distributor of kraft paper for use in corrugating paper packaging. The Company's products are categorized into 2 main groups i.e. kraft liner board for use in making packaging surfaces and kraft paper for making corrugated medium. The Company offers numerous grade of products to meet the diverse market demand, both local and international. The Company runs two mill and has a total annual production capacity of 275,000 tons. The first mill is located in Tamuang District, Kanchanaburi Province with annual production capacity of 100,000 tons, The second mill, which is one of the most technologically advanced in Asia, is located at Kabinburi District, Prachinburi Province, has the annual production capacity of 175,000 tons. Due to the fact that all of our products are certified by the Thai Industrial Standards Institute, Ministry of Industry and the Company's kraft papers are used as raw material for producing corrugated paper boxes, therefore the market demand depends on the growth of different industries that use corrugated box as packaging for local, international and export.

## ➔ PRODUCT QUALITY OF INTERNATION CALIBRE

Since the demand for paper packaging is diverse, The Company focuses in developing the quality of products to satisfy the market demand. The Company's products are categorized into 6 categories which are:

1. White Kraft Liner, high quality, white colour; WK grade
2. Kraft Liner Board, high quality, golden yellow colour; KA grade
3. Kraft Liner Board, high quality, wood bark colour; KK grade
4. Kraft Liner Board, high quality, light yellow colour; KI grade
5. Kraft Liner Board, medium quality, light yellow colour; II grade
6. Corrugated Medium; CA grade

The Company's products receives positive responses from the customers of packaging for food, beverages, electronic products, computers, household appliances, consumer goods and other export products that require sturdy packaging capability of protecting the product to its final customers.

## ➔ Overview of the Kraft Paper industry

In the year 2010, Thai economy has the tendency to expand at 7-7.5 percent when compare to shrinkage of 2-3 percent in year 2009. By which the supported factor are the recovery of world economic and the confidence of consumers and investors, resulting in continuously expansion of private consumption, manufacturing, import, and investment. Even though in the second quarter Thai economy had faced the political tension which impact directly to tourism and in the fourth quarter the appreciation of Thai baht causes the competitiveness of Thai export to decreased when compete with other countries.

In the year 2010, the domestic demand for Kraft papers was 1.97 million tons. The demand had increased 7.5 percent from previous year which is in comply with the domestic and trade partner economics situation.

The volume of import Kraft paper for the year 2010 was approximately 141,000 tons, an increase from last year by 44 percent. Kraft papers were import from United States of America, Sweden, Japan and Taiwan respectively.

Meanwhile, the volume of exports for the year 2010 was approximately 419,000 tons, a decrease from last year by 19 percent, mainly were export to Vietnam, Malaysia, United Arab Emirates and Saudi Arabia respectively.



	2010 (e)	2009	2008
GDP (%)	7-7.5	-2.3	2.6
Domestic Kraft paper consumption demand (Thousand tons)	1,996	1,857	1,962
Growth rate (%)	7.5	-3	-2
Consumption per head (kg.)	31.4	29.2	30.9
Volume of paper imports (thousand tons)	141	98	120
Growth rate (%)	44	-28	-2
Volume of paper exports (thousand tons)	419	516	509
Growth rate (%)	-19	3	-5

Sources : Year 2008-2009, The Thai Pulp and Paper Industries Association (TPPIA)  
Year 2010 Thai, Cane Paper Public Company Limited

## ➔ COMPETITIVENESS

In the year 2010, the volume and the price of the main raw material fluctuate substantially. At the end of February there was an Earthquake in the Republic of Chile which causes the 2 major paper pulp manufacturers, CMPC and ARAUCO, to stop manufacturing. The total manufacturing capacity can be estimated at 3.7 million tons/year resulting in the shortage of pulp in the world market for sometimes. The price goes up more than 20% and was able to manufacture again in the second half of the year causing the steadiness in the price of long fiber pulp at the end of the year.

The price of waste paper goes up in accordance with the price of pulp that goes up because the paper manufacturers use more of waste paper, and to substitute for the shortage and the price of paper pulp that goes high.

With the said raw material situation, causes the domestic manufacturer to increase the ratio of waste paper and decrease the use of paper pulp which results in the change in paper quality. Therefore each manufacturer started to launch new products to set more alternatives for consumers.

	2010 (e)	2009	2008
Domestic Kraft paper consumption demand (Thousand tons)	1,996	1,857	1,962
Production capacity (Thousand tons)	3,063	3,063	3,063
Surplus/(Shortage)	1,067	1,207	1,101
Capacity utilization rate (%)	65	60	64

Sources : The Thai Pulp and Paper Industries Association (TPPIA)

## ➔ KRAFT PAPER INDUSTRIAL OUTLOOKS FOR THE YEAR 2011

In forecasting the Thai economic situations for the year 2011, it is expected to expand in the range of 3.5-4.5 percent, decelerated from year 2010, this is due to a global economic slowdown and the appreciation of Thai baht. Exports are projected to grow by 11.7 percent decelerated 25.1 percent from year 2010.

In the year 2011, the demand for Kraft Paper consumption is expected to expand at 4 percent as well as the expansion of Thai economic which can be estimated at 2.08 million tons.

Competition within Kraft paper industry both domestic and overseas market are expected to be in a high level. These expectations of high level are from manufacturing capacity of foreign manufacturer, especially from the Republic of China. It is expected that The Republic of China will expand the manufacturing capacity in the year 2010-2011 approximately at 3.8 million tons from Nine Dragon and Lee & Man along with the tendencies of appreciation of Thai baht. This will strengthen the competitiveness of import paper as well as the market expansion of the Japanese paper manufacturer in the South East Asia region which will strengthen the competition.

Therefore the domestic manufacturer must manage the raw material efficiently and timely to the change and advance the value added to the products and services to be in comply with the demand of consumers.



## ➔ Significant Milestones

### ➔ DECEMBER 2002

Registered capital was increased to 2,700 million Baht.

### ➔ JANUARY 2003

The Meeting of the Board of Directors No. 2/2003 convened on 31 January 2003 passed a resolution to issue and offer newly issued 100 million shares of the Company at 10 Baht per share. This represented a total value of 1,000 million Baht, to be sold to The Siam Pulp and Paper Public Company Limited.

### ➔ JULY 2003

- The Kanchanaburi Mill received the ISO 9001:2000 quality system certification from SGS (Thailand) Co., Ltd.
- The Prachinburi Mill obtained the ISO 14001 environmental management system certification accredited by United Registrar Systems (Thailand) Co., Ltd.

### ➔ JULY 2004

The Board of Directors Meeting approved an investment for the construction of a co-generation plant at the Prachinburi Mill, to reduce energy costs and help conserve the environment.

### ➔ SEPTEMBER 2004

A joint agreement was signed for a coal-fired boiler project with Foster Wheeler Energy, Finland and Foster Wheeler (Thailand) Co., Ltd. for the Prachinburi Mill. The boiler is a highly efficient Circulating Fluidized Bed (CFB) type installment that is able to re-use the remaining sludge from the production process for use as fuel.

### ➔ OCTOBER 2004

The Extraordinary General Meeting of Shareholders No. 1/2004 held on 21 October 2004 passed a resolution to decrease the Company's registered capital from 2,700 million Baht to 2,584,158,410 Baht. Another resolution was passed to increase registered capital, from 2,584,158,410 Baht to 3,584,158,410 Baht with the issue of 100 million ordinary shares to existing shareholders at 11.75 Baht per share. The issue was to raise funds for investment in the co-generation plant project.

### ➔ NOVEMBER 2004

An agreement was signed for the Balance of Plant (BOP) - the manufacturing process for steam and electricity in the co-generation plant project, with Marubeni Corporation, Japan and Marubeni Corporation, Bangkok Branch.

➡ **DECEMBER 2004**

The Company registered paid-up capital of 3,537,569,510 Baht.

➡ **MARCH 2005**

The Total Productivity Management (TPM) was adopted to enhance the production process and management activities across the entire organization.

➡ **APRIL 2005**

The Prachinburi Mill obtained the TIS 18001 hygiene and safety management system certification from Global Certification (Thailand) Co., Ltd.

➡ **SEPTEMBER 2005**

On 28 September 2005, the Company received investment privileges from the Board of Investment for the co-generation plant at the Prachinburi Mill. The main investment privilege was in the form of import duties exemption for machinery.

➡ **APRIL 2006**

The Company registered paid-up capital of 3,582,537,210 Baht on 12 April 2005.

➡ **JULY 2006**

The Prachinburi Mill's co-generation plant inaugurated pre-operation on 12 July 2006.

➡ **SEPTEMBER 2006**

The Prachinburi Mill's co-generation plant inaugurated actual operation on 19 September 2006.

➡ **NOVEMBER 2006**

The Kanchanaburi Mill was awarded the ISO 14001:2004 environmental management standards certification, as well as the TIS 18001:1999 hygiene and safety management system accreditation from SGS (Thailand) Co., Ltd.

➡ **MAY 2007**

Kanchanaburi Mill received the National Outstanding Award in the category of Safety, Occupational Health, and Working Environment from Ministry of Social Development and Human Security on 10 May 2007.

➡ **SEPTEMBER 2007**

Kanchanaburi Mill received the PM Outstanding Award 2007 in the category of Labour Relations and Welfare from the Department of Labour Protection and Welfare, Ministry of Labour on 10 September 2007.

#### ➡ APRIL 2008

Kanchanaburi Mill received the Green Label Standard for the product Corrugated Medium, CA grade 115 and 125 from Thailand Environmental Institution on 27 March 2008.

#### ➡ MAY 2008

- Kanchanaburi Mill received the National Outstanding Award in the category of Safety, Occupational Health, and Working Environment from the Department of Labour Protection and Welfare, Ministry of Labour for second consecutive year on 8 May 2008.
- Prachinburi Mill received the Provincial Outstanding Award in the category of Safety, Occupational Health, and Working Environment from the Department of Labour Protection and Welfare, Ministry of Labour on 8 May 2008.

#### ➡ AUGUST 2008

Kanchanaburi Mill received the Thai Labour Standard (TLS 8001-2003) Certificate Completion Basic Level quality system certification from the Department of Labour Protection and Welfare, Ministry of Labour on 13 August 2008.

#### ➡ SEPTEMBER 2008

Kanchanaburi Mill received the PM Outstanding Award 2008 in the category of Labour Relations and Welfare from the Department of Labour Protection and Welfare, Ministry of Labour for second consecutive on 23 September 2008.

#### ➡ OCTOBER 2008

Prachinburi Mill received the Green Label Standard for the product Kraft Liner Board grade KA, KI, and II from Thailand Environmental Institution on 10 October 2008.

#### ➡ JULY 2009

Kanchanaburi Mill received the National Outstanding Award in the category of Safety, Occupational Health, and Working Environment from the Department of Labour Protection and Welfare, Ministry of Labour for third consecutive year on 22 July 2009.

#### ➡ AUGUST 2009

- Kanchanaburi Mill received award for the “Love Mother, Love the River” project, to look after, preserve, and conserve the river from the Ministry of Industry on 7 August 2009.
- Kanchanaburi Mill received the Outstanding Award 2009 in the category of Skill Labour Training from the Ministry of Labour on 21 August 2009.
- Kanchanaburi Mill received Bronze Medal Award in the category of Safety for the Year 2009 from Ministry of Labour on 24 August 2009.

#### ➡ SEPTEMBER 2009

Kanchanaburi Mill received the PM Outstanding Award 2009 in the category of Labour Relations and Welfare from the Department of Labour Protection and Welfare, Ministry of Labour for third consecutive year on 18 September 2009.

#### ➡ DECEMBER 2009

Kanchanaburi Mill received the Thai Labour Standard (TLS 8001-2003) Certificate Completion Highest Level quality system certification from the Department of Labour Protection and Welfare, Ministry of Labour on 22 December 2009.

#### ➡ JULY 2010

• Kanchanaburi Mill received the National Outstanding Award in the category of Safety, Occupational Health, and Working environment from the Department of Labour Protection and Welfare from the Ministry of Labour on 22 May 2010 for the fourth consecutive year.

#### ➡ AUGUST 2010

- Kanchanaburi Mill received an Outstanding Award for “River Conservation and Restoration” as part of the “Love Mother, Love the River Project” on the 10 August 2010 from Ministry of Industry.
- Kanchanaburi Mill received the National Outstanding Award 2010 in the category of Labour Relations and Welfare from the Department of Labour Protection and Welfare, Ministry of Labour for the fourth consecutive year on 27 August 2010.
- Prachinburi Mill received award for the “Good Cooperation in Keeping, Preserving and Conserving of the river”, as part of the “Love Mother, Love the River Project” from the Ministry of Industry on 10 August 2010.
- Prachinburi Mill received the Outstanding Award 2010 in the category of Labour Relations and Welfare from the Ministry of Labour on the 27 August 2010.

## ➡ SEPTEMBER 2010

- Kachanaburi Mill received an Honorary Award 2010, in the category of Safety Milestone, Bronze medal (1-3 million hours of the total of working hours of employees) from the Ministry of Labour, on the 3<sup>rd</sup> of August 2010 for the second consecutive year.
- Kachanaburi Mill received an Honorary Award 2010 in the category of Environmental Good Governance Project from the Ministry of Industry on the 28 September 2010.
- Prachinburi Mill received an Honorary Award 2010 in the category of Environmental Good Governance Project from the Ministry of Industry on the 28 September 2010.

## ➔ Risk Factors

### ➔ 1. MANAGEMENT RISK

As of December 31 2010, SCG Paper Public Company Limited held the Company's total equity stake in the total paid up capital of 86.31 percent. SCG Paper Public Company Limited has the prospect to administrate resolution of the shareholder's meetings that requires the majority vote, therefore other shareholders might not be able to summon the vote to audit and counterbalance of what the major shareholder has brought forward.

### ➔ 2. CREDIT RISK

The Company is exposure to credit risk associated with its trade account receivable, however, the Company organized risk reduction policies by applying credit insurance coverage into practice, arranging buyers' financing program as well as exercising cautiousness in granting its credit and making credit sales to clients. The approval of credit to trade account receivable will based on their financial status and debt payment capabilities. In approving credit the Company specified and reviewed credit, credit guarantee and debt follow up regularly by the Company's credit committee; which the meeting is held monthly. The company, therefore, prefigured that there will be no detriment from debt collection that exceed the amount that have been set for the allowances for doubtful debt.

### ➔ 3. INTEREST RATE RISK

Interest rate risk is caused by the future fluctuate interest rate of the market, which would impact the Company's operational performance and cash flow. The Company is exposure to interest rate risk related to the deposit with banks as well as short-term and long-term loans from financial institutions. The Company did not utilize financial derivatives as a hedge mechanism.

### ➔ 4. FOREIGN CURRENCY RISK

The Company is exposure to foreign currency risk due to that the creditors are denominated in foreign currencies. However, as of December 31 2010, the Company did not have substantial foreign currency risk.

### ➔ 5. FAIR VALUE

Since the majority of the Company's financial assets and liabilities are categorized as a short-term and that interest-bearing loans rates are close to the current market rate, therefore the management believes that as of December 31, 2010 the carrying value of the Company's financial instruments did not materially differ from their aggregate fair value.

### ➔ 6. RAW MATERIAL SUPPLY AND PRICE RISK

Fluctuation of price and sufficiency in major raw material (wastepaper and paper pulp) are the main factors that have impacts on operational performance. Therefore, to minimize risk in major raw material, the Company procured more of its raw materials from various sources and vendors and proceeded into long-term purchase contract. This gives a hand to overcome the risk posted by changes and fluctuation in supply volumes and prices of pulp and waste paper.

## ➔ Report of The Board of Directors' responsibilities for Financial Statement for the year 2010

### ➔ THAI CANE PAPER PUBLIC COMPANY LIMITED

The Board of Directors is responsible for the financial statements of Thai Cane Paper Public Company Limited, which had been compiled in accordance with generally accepted accounting standard in Thailand, under Accounting Acts B.E.2543, and the regulation of the Board of Directors of Securities and Exchange regarding the compilation and presenting Financial reports under the Securities and Exchange Acts. B.E.2535. The accounting policies pursued are deemed appropriate and applied consistently with adequate disclosure of important information in the notes to the financial statements, the external auditor has audited the financial statements and expressed an opinion in the auditor's report.

The Board had appointed an Audit Committee, consisting of Independent Directors to provide effective and efficient oversight of financial statements, the internal control system and the internal audit, including prepare for mandated International Financial Reporting Standards (IFRS) adoption. These are done to ascertain that the accounting record is accurate, complete, sufficient, timely and to prevent against fraud or any significant irregular operations. The views of the Audit Committee are shown in Audit Committee's report of the company's Annual Report.

The Board is confident that the Internal Control System and the Internal Audit of the company applies in the financial statement of Thai Cane Paper Public Company Limited presents the financial position, operating results and cash flow accurately.



**Mr. Roongrote Rangsiyopash**  
Chairman of the Board



**Mr. Tawatchai Wongpaisarn**  
Managing Director

## ➔ Audit Committee's Report for the year 2010

The Audit Committee of Thai Cane Paper Public company Limited carried out its duties in accordance with the responsibilities that was assigned to be in line with the charter of the Audit Committee which are: to reviewed financial reports and disclosed the information of financial statements in accordance with the accounting standard that are transparent, accurate, sufficient, sufficient, and ensures that it is commensurate with the International Accounting Standard. The Committee was also responsible for reviewing Internal Control System and Internal Audit, reviewing good corporate governance, safeguarding against conflicts of interest between related parties, assessing risk management and appointed auditors for the year 2011. In the year 2010, six meetings were held which its main activities as follows:-

### ➔ 1. REVIEWING QUARTERLY AND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 2010

The Audit Committee reviewed Company's 2010 quarterly and annually financial statements. The reviewed focused on the substantial part and the issues that were relevant to financial budget compilation which had been clarified with verification that such issues had follow the regulations of law, accounting standard; and that it is conform to the notification of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). Notes to Financial Statement had been disclosed sufficiently in accordance with the accounting standard by the auditors, management division and auditing supervisor until it was contented and had granted approval to the said financial budget which the auditor had reviewed, examined and inform the suggestion unconditionally.

The meeting was held between the Audit Committee and the auditors with no Management participating enabled them to discuss freely the essence of compiling financial budget and the disclosure of the information that was in accordance with the standards and that was useful to financial budget users. These also include the demeanor that showed sign of fraudulent in accordance to the Securities and Exchange Acts B.E. 2535, which in the year 2010, the auditors did not find any significant essence and had not suspect any fraudulent behavior. Moreover, to be certain with the finding that no fraudulent behavior was found, the Audit Committee then resolved that the managing director compile report on any suspicious behavior that was in accordance with the Securities and Exchange Acts (no.4) B.E.2551, section 89/25 so that the issue could be informed in the last meeting of the year 2010 of the Audit Committee. The Audit Committee learned that the Director and the Executive did not show any sign of fraudulent behavior that was contrary to section 89/25.

Moreover, the Audit Committee had reviewed the readiness to prepare financial statements in accordance with the International Financial Reporting Standards (IFRS). It was found that the company has set clear accounting procedure to be followed; the proposed in changes in accounting principle to the Board of Directors for approval which will be used on January 1<sup>st</sup>, 2011. This also includes testing the compilation of the financial statements in accordance with the said method for comparison with the financial statement that need to be compile in the year 2011.

### ➔ 2. GOOD CORPORATE GOVERNANCE REVIEW

The Audit Committee reviewed, monitored and ensured that the company's Articles of Association, the regulations of the SEC and SET, relevant laws and the principles of good corporate governance were followed. Wherewithal, information and any related transaction were disclosed in accordance with the notification of SEC and SET in time, as well as focusing on managing transparently and fairly for the upmost benefit.

Furthermore, the Audit Committee had assessed the overall Audit Committee's performance and evaluated oneself yearly in accordance with the SEC and SET policy. The results of the evaluation are very indulging which is similar to last year. The evaluation topics are readiness of the risk management committee, financial report, Board of Director meeting and the auditing supervisor as well as the secretary.



### ➡ 3. ASSESSMENT OF RISK MANAGEMENT REVIEW

The Audit Committee has reviewed the assessment of risk management and examined company's risk Warning Signal report quarterly. The Committee also revised the principle in assessing risk management and the regulation in assessing risk management to ensure that the company risk management evaluation reflects the actuality which will allow the Committee to prioritize the importance of the risk correctly, accurately and systematic to prevent and solve problem pertinently and timely.

### ➡ 4. INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

The Audit Committee reviewed and ensured that the company had developed a well-designed Internal Control System and exerted it into business operation management which is in accordance with good corporate governance principle. It was found that the system is suitable for operating the business. The company also adopted Control Self Assessment System to support and ensure that the specified Internal Control System are followed efficiently as well as to ensure that the company benefits from the practices accurately and timely. In the year 2010 there has been further development of eCSA in two areas which are eCSA-credit Management (Phase 2) and eCSA-Sales & Marketing (Phase 2).

Moreover, the Audit Committee had reviewed the performance according to the annual audit plan and had revised the guideline semi-annually and effectively. IT Audit guideline was developed to support and enhance control process in safeguarding itself by emphasizing in cooperation of the employees in controlling and following up in the areas of their responsibilities.

### ➡ 5. REVIEWING CONFLICT OF INTEREST BETWEEN RELATED PARTIES.

The Audit Committee had reviewed quarterly the connected transaction and items that might contain conflicts of interest with the company or any trade agreement with the Director, Executive Management or any related parties that are relevant to the laws and regulation of the Stock Exchange of Thailand. The company had practiced in accordance to the regulations of the law and Stock Exchange rigorously. The Committee will especially reviewed the transactions that are relevant and transactions that show potential in having conflict of interest and report all the relevant transaction as well as disclose to the Stock Exchange market correctly and timely.

### ➡ 6. APPOINTMENT OF THE AUDITORS FOR THE YEAR 2011

The Audit Committee considered and recommended to appoint the company's auditors for the year 2011 on readiness, scope of services, working standards, proficiency, propriety of audit fees and regulation related to auditors in comply with the SEC notification. The matter was submitted to the Board of Directors to proposed to the Shareholder Meeting for approval, to appoint Mr. Winid Silamongkol (Certified Public Accountant no. 3378) and/or Mr. Charoen Phosamritlert (Certified Public Accountant no. 4068) and/or Ms. Sureerat Thongarunsang (Certified Public Accountant no. 4409) of KPMG Phoomchai Audit Co., Ltd. as the company's auditors for the year 2011.

On behalf of the Audit Committee



**(Mr. Sobhon Dhammapalo)**  
Chairman of the Audit Committee



# FINANCIAL STATEMENTS



## **Audit Report of Certified Public Accountant**

### **To the shareholders of Thai Cane Paper Public Company Limited**

I have audited the accompanying balance sheets of Thai Cane Paper Public Company Limited as at 31 December 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Thai Cane Paper Public Company Limited as at 31 December 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



(Winid Silamongkol)  
Certified Public Accountant  
Registration No. 3378

KPMG Phoomchai Audit Ltd.  
Bangkok  
31 January 2011

# Thai Cane Paper Public Company Limited

## Balance sheets

As at 31 December 2010 and 2009

Assets	Note	2010	2009
		<i>(in Baht)</i>	
<i>Current assets</i>			
Cash and cash equivalents		50,477,677	69,767,793
Trade accounts receivable	5	690,955,376	564,762,478
Other receivables from related parties	4	1,471,152	4,772
Inventories	6	534,088,556	464,935,595
Other current assets	7	12,800,583	6,633,405
<b>Total current assets</b>		<b><u>1,289,793,344</u></b>	<b><u>1,106,104,043</u></b>
<i>Non-current assets</i>			
Property, plant and equipment	8, 13	4,471,483,907	4,578,869,693
Intangible assets	9	46,138,988	48,505,596
Deferred tax assets	10	251,045,193	295,518,564
Other non-current assets		387,573	775,736
<b>Total non-current assets</b>		<b><u>4,769,055,661</u></b>	<b><u>4,923,669,589</u></b>
<b>Total assets</b>		<b><u>6,058,849,005</u></b>	<b><u>6,029,773,632</u></b>

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

# Thai Cane Paper Public Company Limited

## Balance sheets

As at 31 December 2010 and 2009

<b>Liabilities and shareholders' equity</b>	<i>Note</i>	2010	2009
		<i>(in Baht)</i>	
<b><i>Current liabilities</i></b>			
Short-term loans from financial institutions	11	300,000,000	420,000,000
Trade accounts payable	12	453,153,183	363,134,877
Other payables to related parties	4	2,133,187	2,015,150
Current portion of long-term loans from financial institutions	13	-	85,714,286
Other current liabilities	14	55,538,992	37,884,352
<b>Total current liabilities</b>		<b>810,825,362</b>	<b>908,748,665</b>
<b><i>Non-current liability</i></b>			
Deferred tax liability	10	15,275,078	7,637,539
<b>Total liabilities</b>		<b>826,100,440</b>	<b>916,386,204</b>
<b><i>Shareholders' equity</i></b>			
Share capital			
Authorised share capital	15	3,583,887,210	3,583,887,210
Issued and paid-up share capital	15	3,582,537,210	3,582,537,210
Share premium	16	355,000,000	355,000,000
Retained earnings			
Legal reserve	16	83,564,436	68,640,036
Unappropriated		1,211,646,919	1,107,210,182
<b>Total shareholders' equity</b>		<b>5,232,748,565</b>	<b>5,113,387,428</b>
<b>Total liabilities and shareholders' equity</b>		<b>6,058,849,005</b>	<b>6,029,773,632</b>

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

## Thai Cane Paper Public Company Limited

### Statements of income

For the years ended 31 December 2010 and 2009

	Note	2010	2009
		<i>(in Baht)</i>	
Sales	4	4,772,076,920	3,723,561,064
Cost of sales	4	<u>4,223,603,522</u>	<u>3,293,270,277</u>
<b>Gross profit</b>		<b>548,473,398</b>	<b>430,290,787</b>
Foreign exchange gain (loss)		(1,073,260)	1,186,368
Other income		<u>15,137,871</u>	<u>7,538,403</u>
<b>Profit before expenses</b>		<b>562,538,009</b>	<b>439,015,558</b>
Selling expenses	4, 17	101,056,080	83,673,825
Administrative expenses	4, 18	77,609,208	74,928,085
Management benefit expenses	23	<u>23,777,635</u>	<u>21,302,232</u>
<b>Total expenses</b>		<b><u>202,442,923</u></b>	<b><u>179,904,142</u></b>
<b>Profit before finance costs and income tax expense</b>		<b>360,095,086</b>	<b>259,111,416</b>
Finance costs		<u>9,496,180</u>	<u>23,969,242</u>
<b>Profit before income tax expense</b>		<b>350,598,906</b>	<b>235,142,174</b>
Income tax expense	20	<u>52,110,909</u>	<u>32,774,507</u>
<b>Net profit</b>		<b><u>298,487,997</u></b>	<b><u>202,367,667</u></b>
<b>Basic earnings per share</b>	21	<b><u>0.83</u></b>	<b><u>0.56</u></b>

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

## Thai Cane Paper Public Company Limited

### Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

	Note	Issued and paid-up share capital	Share premium	Retained earnings		Total
				Legal reserve (in Baht)	Unappropriated	
<b>Balance at 1 January 2009</b>		<b>3,582,537,210</b>	<b>355,000,000</b>	<b>58,521,653</b>	<b>914,960,898</b>	<b>4,911,019,761</b>
Net profit		-	-	-	202,367,667	202,367,667
Appropriation for legal reserve	16	-	-	10,118,383	(10,118,383)	-
<b>Balance at 31 December 2009</b>		<b>3,582,537,210</b>	<b>355,000,000</b>	<b>68,640,036</b>	<b>1,107,210,182</b>	<b>5,113,387,428</b>
Net profit		-	-	-	298,487,997	298,487,997
Appropriation for legal reserve	16	-	-	14,924,400	(14,924,400)	-
Dividends	22	-	-	-	(179,126,860)	(179,126,860)
<b>Balance at 31 December 2010</b>		<b>3,582,537,210</b>	<b>355,000,000</b>	<b>83,564,436</b>	<b>1,211,646,919</b>	<b>5,232,748,565</b>

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

# Thai Cane Paper Public Company Limited

## Statements of cash flows

For the years ended 31 December 2010 and 2009

	2010	2009
	<i>(in Baht)</i>	
<i>Cash flows from operating activities</i>		
Net profit	298,487,997	202,367,667
<i>Adjustments for</i>		
Depreciation and amortisation	348,659,719	340,027,300
Interest expense	9,227,882	23,312,333
Unrealised foreign exchange gain	(361,215)	(73,449)
Reversal of allowance for doubtful accounts	(94,216)	-
Reversal of allowance for decline in value and slow moving of inventories	(698,570)	(14,881,807)
Gain on sales of equipment	(105,735)	(970,979)
Income tax expense	52,110,909	32,774,507
	<u>707,226,771</u>	<u>582,555,572</u>
<i>Changes in operating assets and liabilities</i>		
Trade accounts receivable	(126,098,682)	(90,207,285)
Other receivables from related parties	(1,466,380)	305,605
Inventories	(68,454,391)	31,381,836
Other current assets	(6,167,178)	5,059,682
Other non-current assets	291,699	681,785
Trade accounts payable	90,379,521	205,858,412
Other payables to related parties	118,037	(1,701,010)
Other current liabilities	17,403,987	989,147
Refund of withholding income tax	106,363	-
Withholding income tax deducted at source	(9,899)	(37,169)
<b>Net cash provided by operating activities</b>	<u><b>613,329,848</b></u>	<u><b>734,886,575</b></u>

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



## Thai Cane Paper Public Company Limited

### Statements of cash flows

For the years ended 31 December 2010 and 2009

	2010	2009
	<i>(in Baht)</i>	
<i>Cash flows from investing activities</i>		
Proceeds from sales of equipment	105,751	971,000
Purchases of plant and equipment	(235,430,775)	(50,122,651)
Purchases of software licences	(3,476,566)	(6,013,079)
<b>Net cash used in investing activities</b>	<b>(238,801,590)</b>	<b>(55,164,730)</b>
<i>Cash flows from financing activities</i>		
Dividends paid	(178,804,471)	-
Interest paid	(9,299,617)	(23,334,627)
Repayment of short-term loans from financial institutions	(120,000,000)	(135,000,000)
Repayment of long-term loans from financial institutions	(85,714,286)	(492,857,142)
<b>Net cash used in financing activities</b>	<b>(393,818,374)</b>	<b>(651,191,769)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(19,290,116)</b>	<b>28,530,076</b>
Cash and cash equivalents at beginning of year	69,767,793	41,237,717
<b>Cash and cash equivalents at end of year</b>	<b>50,477,677</b>	<b>69,767,793</b>

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

**Thai Cane Paper Public Company Limited**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

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**Thai Cane Paper Public Company Limited**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

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These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 31 January 2011.

## **1 General information**

Thai Cane Paper Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 222 Moo 1, Sangchooto Road, Wangkanai Sub-district, Tamuang District, Kanchanaburi 71110, Thailand.

The Company was listed on the Stock Exchange of Thailand in April 1996.

At the Extraordinary General Meeting of Shareholders No. 1/2008 held on 9 June 2008, the shareholders approved the delisting of the Company's securities from The Stock Exchange of Thailand. SCG Paper Public Company Limited, the Company's major shareholder would then proceed with the Tender Offer for the remaining shares in the Company at 16 Baht per share. As at 31 December 2010, the Company has not yet delisted from The Stock Exchange of Thailand.

The immediate and ultimate parent companies during the financial year were SCG Paper Public Company Limited and The Siam Cement Public Company Limited. Both were incorporated in Thailand.

The principal activity of the Company is the manufacturing and sale of Kraft Paper for use in the manufacture of packaging, such as corrugated box, paper cement bags, envelopes and core paper in Thailand.

## **2 Basis of preparation of the financial statements**

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) and guidelines promulgated by the Federation of Accounting Professions (“FAP”) and with generally accepted accounting principles in Thailand.

During 2010, the FAP announced the re-numbering of the following TFRS.

Former no.	Revised no.	Topic
TAS 11	TAS 101	Doubtful Account and Bad Debts
TAS 48	TAS 107	Financial Instruments Disclosure and Presentation

**Thai Cane Paper Public Company Limited**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

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The Company has adopted the revised Framework for the Preparation and Presentation of Financial Statements (revised 2009), which was issued by the FAP during 2010 and became effective on 26 May 2010. The adoption of the revised framework does not have any material impact on the Company's financial statements.

The FAP has issued during 2010 a number of new and revised TFRS which are not currently effective and have not been adopted in the preparation of these financial statements. These new and revised standards and interpretations are disclosed in note 29.

The financial statements are presented in Thai Baht. They are prepared on the historical cost basis, except as stated in the accounting policies.

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 8	Useful lives of machinery and equipment
Note 10, 20	Utilisation of tax losses

**Thai Cane Paper Public Company Limited**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

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**3 Significant accounting policies**

**(a) Foreign currencies**

*Foreign currency transactions*

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using foreign exchange rates ruling at the dates of the transactions.

**(b) Cash and cash equivalents**

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

**(c) Trade and other accounts receivable**

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

**(d) Inventories**

The Company values its inventories at the lower of cost and net realisable value. Cost is calculated as follows;

Finished goods - at standard cost which approximates current production cost

Raw materials, spare parts, supplies and others - at average cost

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

**Thai Cane Paper Public Company Limited**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

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**(e) Property, plant and equipment**

*Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

*Depreciation*

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment or in accordance with the estimated production capacity of machinery as follows:

Land improvements	5, 20 years
Building and building improvements	5, 20 years
Production machinery	
- Kanchanaburi Mill	Estimated production capacity of 1.92 million tons
- Prachinburi Mill	Estimated production capacity of 5.25 million tons
Machinery and equipment	5 - 15 years
Furniture and fixtures	5, 10 years
Vehicles	5 years

No depreciation is provided on freehold land or assets under construction.

**(f) Intangible assets**

Intangible assets that are acquired by the Company, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Intangible assets are amortised in the statement of income on a straight-line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives are as follows:

Software license	10 years
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**Thai Cane Paper Public Company Limited**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

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**(g) Impairment**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of income.

*Calculation of recoverable amount*

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Reversals of impairment*

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(h) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

**(i) Employee benefits**

*Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of income as incurred.

**(j) Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(k) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

**Thai Cane Paper Public Company Limited**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

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*Sale of goods*

Revenue is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

**(l) Expenses**

*Operating leases*

Payments made under operating leases are recognised in the statement of income on a straight line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease payments made. Contingent rentals are charged to the statement of income in the accounting period in which they are incurred.

*Finance costs*

Interest expenses and similar costs are charged to the statement of income in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognised in the statement of income using the effective interest rate method.

**(m) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

*Current tax*

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

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.



**Thai Cane Paper Public Company Limited**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

**4 Related party transactions and balances**

Related parties are those parties linked to the Company by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

The followings are relationships with related parties that control or jointly control the Company or are being controlled or jointly controlled by the Company or have transactions with the Company.

<b>Name of entities</b>	<b>Country of incorporation / nationality</b>	<b>Nature of relationships</b>
The Siam Cement Public Company Limited	Thailand	Ultimate parent company
SCG Paper Public Company Limited	Thailand	Immediate parent company
SCG Trading Co., Ltd. (Formerly: SCT Co., Ltd.)	Thailand	A subsidiary of The Siam Cement Public Company Limited
Cementthai SCT (U.S.A.), Inc.	U.S.A	A subsidiary of The Siam Cement Public Company Limited
Cementthai SCT (Singapore) Pte. Ltd.	Singapore	A subsidiary of The Siam Cement Public Company Limited
Siam Kraft Industry Co., Ltd.	Thailand	A subsidiary of SCG Paper Public Company Limited
Phoenix Pulp & Paper Public Company Limited	Thailand	A subsidiary of SCG Paper Public Company Limited
Thai Containers Group	Thailand	A subsidiary of SCG Paper Public Company Limited

The pricing policies for particular types of transactions are explained further below:

	<b>Pricing policies</b>
Sale of goods	Market price
Purchase of goods	Market price
Service fee	Market price

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Significant transactions for the years ended 31 December 2010 and 2009 with related parties were summarised as follows:

	2010	2009
	<i>(in thousand Baht)</i>	
<b>Revenues</b>		
<i>Sales of goods</i>		
Other related parties		
- Siam Kraft Industry Co., Ltd.	906,071	1,020,066
- Thai Containers Group Co., Ltd.	595,009	362,144
- Thai Containers (TCC) Co., Ltd.	235,307	153,250
- Thai Containers Saraburi Co., Ltd.	163,010	74,714
- Thai Containers Rayong Co., Ltd.	103,518	60,160
- Thai Containers Songkhla (1994) Co., Ltd.	78,682	51,087
- Thai Containers Khonkaen Co., Ltd.	10,979	-
- Others	1,605	6,295
<i>Service fees</i>		
Parent		
- SCG Paper Public Company Limited	1	-
Other related parties	257	613
<b>Expenses</b>		
<i>Purchases of goods</i>		
Other related parties		
- Siam Kraft Industry Co., Ltd.	1,155,900	661,569
- Phoenix Pulp & Paper Public Company Limited	422,509	237,253
- SCG Trading Co., Ltd. (Formerly: SCT Co., Ltd.)	318,692	344,159
- Cementhai SCT (U.S.A.), Inc.	36,226	15,642
- Cementhai SCT (Singapore) Pte. Ltd.	20,746	10,737
- Others	64,207	56,558
<i>Service fees</i>		
Parent		
- The Siam Cement Public Company Limited	6,378	5,162
- SCG Paper Public Company Limited	3,402	1,303
Other related parties	46,400	36,881
<i>Directors' remuneration</i>	4,697	3,681

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Balances as at 31 December 2010 and 2009 with related parties were as follows:

***Trade accounts receivable***

	2010	2009
	<i>(in thousand Baht)</i>	
Other related parties		
- Thai Containers Group Co., Ltd.	57,543	40,191
- Siam Kraft Industry Co., Ltd.	55,885	73,010
- Thai Containers (TCC) Co., Ltd.	17,901	18,680
- Thai Containers Saraburi Co., Ltd.	15,344	9,037
- Thai Containers Rayong Co., Ltd.	9,736	6,485
- Thai Containers Songkhla (1994) Co., Ltd.	6,708	4,445
- Others	2,848	-
<b>Total</b>	<b><u>165,965</u></b>	<b><u>151,848</u></b>

***Other receivables from related parties***

	2010	2009
	<i>(in thousand Baht)</i>	
Other related parties		
- SCG Paper Public Company Limited	1,436	-
- Others	35	5
<b>Total</b>	<b><u>1,471</u></b>	<b><u>5</u></b>

***Trade accounts payable***

	2010	2009
	<i>(in thousand Baht)</i>	
Other related parties		
- Siam Kraft Industry Co., Ltd.	114,458	70,253
- SCG Trading Co., Ltd. (Formerly: SCT Co., Ltd.)	48,281	21,371
- Phoenix Pulp & Paper Public Company Limited	36,675	28,187
- Others	11,715	9,359
<b>Total</b>	<b><u>211,129</u></b>	<b><u>129,170</u></b>

***Other payables to related parties***

	2010	2009
	<i>(in thousand Baht)</i>	
Parent		
- The Siam Cement Public Company Limited	971	1,238
- SCG Paper Public Company Limited	-	82
Other related parties	1,162	695
<b>Total</b>	<b><u>2,133</u></b>	<b><u>2,015</u></b>

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**5 Trade accounts receivable**

	<i>Note</i>	2010	2009
		<i>(in thousand Baht)</i>	
<b>Trade accounts receivable - related parties</b>			
Within credit terms	4	<u>165,965</u>	<u>151,848</u>
<b>Trade accounts receivable - other parties</b>			
Within credit terms		425,132	379,188
Overdue:			
Less than 3 months		99,858	33,726
Over 12 months		<u>31,718</u>	<u>31,812</u>
		556,708	444,726
<i>Less</i> allowance for doubtful accounts		<u>(31,718)</u>	<u>(31,812)</u>
<b>Net</b>		<u><b>524,990</b></u>	<u><b>412,914</b></u>
<b>Total</b>		<u><b>690,955</b></u>	<u><b>564,762</b></u>
Reversal of doubtful accounts for the year		<u>94</u>	<u>-</u>

The normal credit terms granted by the Company range from 30 days to 90 days.

**6 Inventories**

	2010	2009
	<i>(in thousand Baht)</i>	
Finished goods	202,809	187,866
Raw materials	242,443	159,068
Spare parts, supplies and others	89,887	73,629
Inventories in transit	<u>4,928</u>	<u>51,050</u>
<b>Total</b>	<u><b>540,067</b></u>	<u><b>471,613</b></u>
<i>Less</i> allowance for decline in value and slow moving of inventories	<u>(5,978)</u>	<u>(6,677)</u>
<b>Net</b>	<u><b>534,089</b></u>	<u><b>464,936</b></u>
Changes in inventories of finished goods	14,943	(40,615)
Raw materials and consumables used	3,153,344	2,318,276

The cost of inventories which is recognised as an expense and included in 'cost of sales' for the year ended 31 December 2010 amounted to Baht 4,221 million (2009: Baht 3,313 million).

**7 Other current assets**

	2010	2009
	<i>(in thousand Baht)</i>	
Prepaid insurance	5,221	147
Refundable value added tax	3,057	1,810
Others	<u>4,523</u>	<u>4,676</u>
<b>Total</b>	<u><b>12,801</b></u>	<u><b>6,633</b></u>

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**8 Property, plant and equipment**

	Land	Land improvements	Building and building improvements	Machinery and equipment	Furniture and fixtures	Vehicles	Construction in progress and machinery under installation	Total
<i>Cost</i>								
At 1 January 2009	131,215	121,256	904,669	6,485,412	74,129	13,434	55,221	7,785,336
Additions	-	640	1,525	30,395	425	-	14,931	47,916
Disposals/written-off	-	-	-	-	(553)	(3,317)	-	(3,870)
Transfer in (out)	-	-	-	55,360	-	-	(55,360)	-
<b>At 31 December 2009</b>	<b>131,215</b>	<b>121,896</b>	<b>906,194</b>	<b>6,571,167</b>	<b>74,001</b>	<b>10,117</b>	<b>14,792</b>	<b>7,829,382</b>
Additions	-	-	730	190,726	1,070	5,163	37,742	235,431
Disposals/written-off	-	-	-	-	(481)	(722)	-	(1,203)
Transfer in (out)	-	-	225	13,877	-	-	(14,102)	-
<b>At 31 December 2010</b>	<b>131,215</b>	<b>121,896</b>	<b>907,149</b>	<b>6,775,770</b>	<b>74,590</b>	<b>14,558</b>	<b>38,432</b>	<b>8,063,610</b>
<i>Accumulated depreciation</i>								
At 1 January 2009	-	44,936	492,909	2,300,758	65,196	12,588	-	2,916,387
Depreciation charge for the year	-	5,766	45,224	283,709	2,599	697	-	337,995
Disposals/written-off	-	-	-	-	(553)	(3,317)	-	(3,870)
<b>At 31 December 2009</b>	<b>-</b>	<b>50,702</b>	<b>538,133</b>	<b>2,584,467</b>	<b>67,242</b>	<b>9,968</b>	<b>-</b>	<b>3,250,512</b>
Depreciation charge for the year	-	5,504	45,276	289,627	2,369	40	-	342,816
Disposals/written-off	-	-	-	-	(481)	(721)	-	(1,202)
<b>At 31 December 2010</b>	<b>-</b>	<b>56,206</b>	<b>583,409</b>	<b>2,874,094</b>	<b>69,130</b>	<b>9,287</b>	<b>-</b>	<b>3,592,126</b>
<i>Net book value</i>								
At 31 December 2009	131,215	71,194	368,061	3,986,700	6,759	149	14,792	4,578,870
At 31 December 2010	131,215	65,690	323,740	3,901,676	5,460	5,271	38,432	4,471,484

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to Baht 335 million as at 31 December 2010 (2009: Baht 303 million).

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**9 Intangible assets**

	Software license (in thousand Baht)
<i>Cost</i>	
At 1 January 2009	51,258
Additions	6,013
<b>At 31 December 2009</b>	<b>57,271</b>
Additions	3,476
<b>At 31 December 2010</b>	<b>60,747</b>
<i>Accumulated amortisation</i>	
At 1 January 2009	6,733
Amortisation for the year	2,032
<b>At 31 December 2009</b>	<b>8,765</b>
Amortisation for the year	5,843
<b>At 31 December 2010</b>	<b>14,608</b>
<i>Net book value</i>	
<b>At 31 December 2009</b>	<b>48,506</b>
<b>At 31 December 2010</b>	<b>46,139</b>

**10 Deferred tax assets (deferred tax liability)**

	At 1 January 2009	Credited (charged) to statement of income (note 20) (in thousand Baht)	At 31 December 2009	Credited (charged) to statement of income (note 20)	At 31 December 2010
<i>Deferred tax assets</i>					
Impairment of assets	3,563	1,897	5,460	(266)	5,194
Allowance for decline in value and slow moving of inventories	3,234	(2,232)	1,002	(105)	897
Allowance for doubtful accounts	4,772	-	4,772	(14)	4,758
Loss carry forward	309,087	(24,802)	284,285	(44,089)	240,196
<b>Total</b>	<b>320,656</b>	<b>(25,137)</b>	<b>295,519</b>	<b>(44,474)</b>	<b>251,045</b>
<i>Deferred tax liability</i>	-	(7,638)	(7,638)	(7,637)	(15,275)
<b>Net</b>	<b>320,656</b>	<b>(32,775)</b>	<b>287,881</b>	<b>(52,111)</b>	<b>235,770</b>

Deferred tax assets have been recognised in respect of tax losses that are available for offset against future taxable profits up until 2011.

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**11 Short-term loans from financial institutions**

Short-term loans from financial institutions (dominated in Thai Baht) as at 31 December 2010 bear interest at 1.85% to 2.05% per annum (2009: interest at 1.50% to 1.80% per annum).

**12 Trade accounts payable**

	<i>Note</i>	2010	2009
		<i>(in thousand Baht)</i>	
Trade accounts payable - related parties	4	211,129	129,170
Trade accounts payable - other parties		242,024	233,965
<b>Total</b>		<b><u>453,153</u></b>	<b><u>363,135</u></b>

**13 Long-term loans from financial institutions**

The period to maturity of long-term loans from financial institutions (dominated in Thai Baht) is as follows:

	2010	2009
	<i>(in thousand Baht)</i>	
Within one year	-	85,714
<b>Total</b>	<b><u>-</u></b>	<b><u>85,714</u></b>

On 27 June 2003, the Company entered into long-term loan agreements with 3 commercial banks to borrow a total of Baht 2,700 million as detailed below:

- (a) A long-term loan of Baht 1,200 million, repayable in 14 semi annual installments of Baht 86 million each, from December 2003 to June 2010. The loan carries interest at the lender's 3 month fixed deposit rate plus 2 percent per annum, repayable quarterly.
- (b) A long-term loan of Baht 500 million, repayable in 14 semi annual installments of Baht 36 million each, from December 2003 to June 2010. The loan carries interest at the rate of 3.375 percent per annum for the first three years, and after that at the average MLR of four commercial banks less 1.25 percent per annum, repayable monthly.
- (c) A long-term loan of Baht 1,000 million, repayable in 14 semi annual installments of Baht 71 million each, from December 2003 to June 2010. The loan carries interest at the rate of 3.40 percent per annum for the first two years, and after that at the MLR less 2.0 percent per annum, repayable quarterly.

The loan agreements contain certain covenants and restrictions imposed by the lenders regarding, among other things, changes in the percentage holding of the major shareholder, maintenance of certain financial ratios, the provision of loans or guarantees to loans, dividend payments, increasing or reducing share capital, and merger or consolidation with any other companies.

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Long-term loans from financial institutions are secured on the following assets:

	2010	2009
	<i>(in thousand Baht)</i>	
Land and improvements	-	139,978
Building and improvements	-	306,489
Machinery and equipment	-	2,731,943
<b>Total</b>	<b>-</b>	<b>3,178,410</b>

**14 Other current liabilities**

	2010	2009
	<i>(in thousand Baht)</i>	
Accrued expenses	29,913	26,886
Construction payables	14,999	-
Accrued value added tax	-	2,761
Others	10,627	8,237
<b>Total</b>	<b>55,539</b>	<b>37,884</b>

**15 Share capital**

*Share capital, ordinary shares*

	Number	<i>(in Baht)</i>
<i>Authorised, Baht 10 par value</i>		
At 1 January 2009, 31 December 2009 and 31 December 2010	<u>358,388,721</u>	<u>3,583,887,210</u>
<i>Issued and fully paid</i>		
At 1 January 2009, 31 December 2009 and 31 December 2010	<u>358,253,721</u>	<u>3,582,537,210</u>

**16 Reserves**

*Share premium*

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

*Legal reserve*

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.



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**17 Selling expenses**

	2010	2009
	<i>(in thousand Baht)</i>	
Transportation expenses	92,622	76,194
Sales promotion and advertising expenses	1,345	1,456
Others	7,089	6,024
<b>Total</b>	<b><u>101,056</u></b>	<b><u>83,674</u></b>

**18 Administrative expenses**

	2010	2009
	<i>(in thousand Baht)</i>	
Salary and allowance	34,513	30,899
Professional fees	15,178	14,367
Others	27,918	29,662
<b>Total</b>	<b><u>77,609</u></b>	<b><u>74,928</u></b>

**19 Directors' remuneration**

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Company Act B.E. 2535, excluding salaries and related benefits payable to executive directors which presented under the caption of "management benefit expenses" in the statements of income.

**20 Income tax expense**

	<i>Note</i>	2010	2009
		<i>(in thousand Baht)</i>	
<b>Current tax expense</b>			
<b>Deferred tax expense</b>	<i>10</i>	<b><u>52,111</u></b>	<b><u>32,775</u></b>

**Reconciliation of effective tax rate**

	2010	2009
	<i>Rate</i>	<i>Rate</i>
	<i>(%)</i>	<i>(%)</i>
	<i>(in thousand</i>	<i>(in thousand</i>
	<i>Baht)</i>	<i>Baht)</i>
Profit before tax	<u>350,599</u>	<u>235,142</u>
Income tax using the Thai corporation tax rate	15      52,590	15      35,271
Expense not deductible for tax purposes	1      261	1      937
Income tax reductions	(3)      (8,763)	(5)      (11,406)
Others	2      8,023	3      7,973
<b>Income tax expense</b>	<b><u>15</u></b> <b><u>52,111</u></b>	<b><u>14</u></b> <b><u>32,775</u></b>

As explained in Note 24, the Company was granted various promotional privileges. These included an exemption from corporate income tax up until 1 January 2007, and an allowance of 50% on the normal rate of corporate income tax at 30% on profit for a period of 5 years from 1 January 2007. The Company has accordingly calculated income tax on its taxable profit at the rate of 15%.

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**21 Basic earnings per share**

The calculations of basic earnings per share for the years ended 31 December 2010 and 2009 were based on the profit for the year attributable to equity holders of the Company and the number of ordinary shares outstanding during the year as follows:

	2010	2009
	<i>(in thousand Baht / thousand shares)</i>	
Net profit	298,488	202,368
Number of ordinary shares outstanding	<u>358,254</u>	<u>358,254</u>
<b>Basic earnings per share (in Baht)</b>	<b><u>0.83</u></b>	<b><u>0.56</u></b>

**22 Dividends**

At the annual general meeting of the shareholders of the Company held on 19 March 2010, the shareholders approved the appropriation of dividends of Baht 0.50 per share, amounting to Baht 179 million. The dividend was paid to the shareholders on 12 April 2010.

**23 Employee expenses**

	2010	2009
	<i>(in thousand Baht)</i>	
Salaries and others	189,719	155,491
Contribution to defined contribution plans	5,787	4,784
Early retirement expense	35	1,172
Others	<u>24,627</u>	<u>20,286</u>
<b>Total</b>	<b><u>220,168</u></b>	<b><u>181,733</u></b>

The defined contribution plan comprises provident funds for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at the rate of 3% of their basic salaries and by the Company at a rate of 4% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

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**24 Promotional privileges**

The Company was granted promotional privileges under The Investment Promotion Act B.E. 2520 for the manufacturing of Kraft paper at Prachinburi province. The main privileges are summarised as follows:

- (a) Exemption from corporate income tax on net profit for a period of 8 years commencing as from the date of first earning operating income (1 January 1999), and an allowance of 50 percent on the normal rate of corporate income tax on profit for a period of 5 years commencing as from the date of expiration of the period of exemption from corporate income tax (1 January 2007).
- (b) Permission to claim a double deduction of transportation, electricity and water expenses for a period of ten years commencing as from the date of first earning operating income.

In addition, by virtue of the provisions of the Industrial Investment Promotional Act B.E. 2520, the Company has been granted certain privileges relating to Co-generation plant operation in 2005. The main privileges are summarised as follows:

- (a) Exemption from payment of import duty on machinery which is to be imported within 22 March 2008 as approved by the Board of Investment.
- (b) Exemption from payment of income tax for a period of 8 years from the date income is first derived from promoted operations but exemption is not more than Baht 1,321 million (at 100% of capital expenditure investment, excluding the land investment and working capital).

As a promoted company, the Company must comply with certain terms and conditions provided for in the promotional certificates.

**25 Segment information**

The Company's operations involve a single business segment in the manufacturing and selling of Kraft paper, which is used for the manufacturing of packing paper, and are carried on in the single geographic area in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned business segment and geographic area.

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**26 Financial instruments**

*Credit risk*

The Company is exposed to credit risk primarily with respect to trade accounts receivable. However, due to its conservative policy on granting credit to customers, and only dealing with creditworthy counterparties which should prove to be collectible, the Company does not anticipate material losses from its debt collection in excess of the allowance for doubtful accounts already set aside in the accounts. The carrying amount of the assets recorded in the balance sheet, net of allowance for doubtful accounts, represents the Company's maximum exposure to credit risk.

*Interest rate risk*

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows. The Company's exposure to interest rate risk relates primarily to its deposits with banks, short-term loans from financial institutions and long-term loans from financial institutions. The Company does not use derivative financial instrument to hedge such risk.

*Foreign currency risk*

The Company's exposure to foreign currency risk relates principally to its payables which are denominated in foreign currencies. However, as at 31 December 2010 and 2009, the Company does not have material foreign currency risk.

*Fair value*

Since the majority of the financial assets and liabilities are classified as short-term and the loans are bearing interest at rates close to current market rate, the management believes that as at 31 December 2010 and 2009, the carrying value of the Company's financial instruments does not materially differ from their aggregate fair value.

**27 Commitments**

As at 31 December 2010, the Company had commitments for the purchase and installation of machinery and equipment of approximately Baht 4.5 million (2009: Baht 0.5 million).

As at 31 December 2010 and 2009, the Company is committed for rental (including service charges) as follows:

	2010	2009
	<i>(in thousand Baht)</i>	
Within one year	12,655	11,269
After one year but within five years	6,381	8,832
<b>Total</b>	<b>19,036</b>	<b>20,101</b>

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**28 Capital management**

The management of the Company has the capital management policy for which to maintain a strong capital base by emphasis in planning and determining the operating strategies resulting in good business's performance and sustain good cash flows management. In addition, the Company considers investing in projects which have good rate of return, appropriate working capital management, maintain a strong financial position and appropriate investment structure as to maintain sustain future operations of the business and to maintain shareholders, investors, creditors and others interest's confidence.

**29 Thai Financial Reporting Standards (TFRS) not yet adopted**

The Company has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are anticipated to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table.

TFRS	Topic	Year effective
TAS 1 (revised 2009)	Presentation of Financial Statements	2011
TAS 2 (revised 2009)	Inventories	2011
TAS 7 (revised 2009)	Statement of Cash Flows	2011
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors	2011
TAS 10 (revised 2009)	Events after the Reporting Period	2011
TAS 12	Taxation	2013
TAS 16 (revised 2009)	Property, Plant and Equipment	2011
TAS 17 (revised 2009)	Leases	2011
TAS 18 (revised 2009)	Revenue	2011
TAS 19	Employee Benefits	2011
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TAS 24 (revised 2009)	Related Party Disclosures	2011
TAS 33 (revised 2009)	Earnings per Share	2011
TAS 34 (revised 2009)	Interim Financial Reporting	2011
TAS 36 (revised 2009)	Impairment of Assets	2011
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Asscts	2011

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TAS 38 (revised 2009)	Intangible Assets	2011
TAS 40 (revised 2009)	Investment Property	2011

Management has presently determined the effects from adoptions of the new and revised TFRS on the financial statements of the Company. Those accounting standards that will have direct effect on the Company are as follows:

***TAS 16 (revised 2009) – Property, plant and equipment***

The principal changes introduced by the revised TAS 16 that will affect the Company is that (i) costs of asset dismantlement, removal and restoration have to be included as asset costs and subject to annual depreciation; (ii) the depreciation charge has to be determined separately for each significant part of an asset; and (iii) the residual value of an item of property, plant and equipment has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The revised TAS 16 (revised 2009) permits as a transitional provision that these changes may be introduced prospectively from the year of introduction. The Company intends to adopt this transitional provision which the management has already determined will not have any material impact on the financial statements.

***TAS 19 – Employee benefits***

The accounting standard, Employee Benefits, has been in effect for financial periods beginning on or after 1 January 2011. The Company therefore has not presently accounted for the costs of post-employment benefits under defined benefit plans; other long-term employee benefits; and termination benefits until such costs are incurred. This accounting standard includes the requirements to recognise expenses and provision for employee benefits in the period in which the service is performed. The standard requires actuarial assumptions to measure the obligations and expenses of long-term benefits and to measure on a discounted basis due to the settlement of these benefits would incur in the subsequent years of services. The transitional provisions of TAS 19 permit the transitional liability computed from period of service years of employees prior to its effective date, to be recognised and accounted for in four options. The Company has selected to adjust the amount to the retained earnings at the initial adoption of this standard.

Management has determined that the transitional liability as at 1 January 2011 for employee benefits would be increased Baht 40 million and retained earnings for the Company would be decreased Baht 28 million.

## ➔ General Company Information (TCP)

### COMPANY'S NAME THAI CANE PAPER PUBLIC COMPANY LIMITED

#### ➔ REGISTRATION NO.

0107536000242 (Former No. Bor Mor Jor. 98)

#### ➔ HEAD OFFICE (KANCHANABURI MILL)

222 Mu 1, Sangchooto Road, Wangkanai Sub-district,  
Tamuang District, Kanchanaburi 71110  
Tel : 0-3461-1959 - 61 Fax : 0-3461-1956

#### ➔ 1<sup>ST</sup> BRANCH (BANGKOK OFFICE)

26<sup>th</sup> Sinn Sathorn Tower, 77/107 - 108 Krung Thonburi Road,  
Klongtongsai, Klongsan, Bangkok 10600  
Tel : 0-2440-0707 Fax : 0-2440-0717

#### ➔ 2<sup>ND</sup> BRANCH (PRACHINBURI MILL)

70 Mu 4, Nongsang-Wang Takian Road, Bo-Thong Sub-district,  
Kabinburi District, Prachinburi 25110  
Tel : 0-3729-8111 - 5 Fax : 0-3729-8116

#### ➔ TYPE OF BUSINESS

Manufacturer of kraft paper and packaging paper for both domestic and  
export corrugated container market

#### ➔ REGISTERED CAPITAL

3,583,887,210 Baht  
(Three thousand five hundred eighty three million eight hundred eighty seven thousand and  
two hundred ten Baht)

#### ➔ PAID-UP CAPITAL

3,582,537,210 Baht  
(Three thousand five hundred eighty two million five hundred thirty seven thousand and  
two hundred ten Baht)

## ➔ AMOUNT OF SHARES AND PER VALUE PER SHARE

- \* Common shares amounting to 358,388,721 shares.  
Issued and paid-up share capital 358,253,721 shares.  
Shares of 10 Baht per value each.
- \* Preference Share  
- none -

## ➔ REGISTRAR

### **Thailand Securities Depository Co., Ltd.**

4<sup>th</sup>, 7<sup>th</sup> Floor, The Stock Exchange of Thailand Building,  
62 Rachadapisek Road, Klongtoey, Bangkok 10110  
Tel : 0-2229-2800      Fax : 0-2359-1259

## ➔ AUDITOR

Mr. Winid Silamongkol, C.P.A. (Thailand) No. 3378 and/or;  
Mr. Charoen Phosamritlert, C.P.A. (Thailand) No. 4068 and/or;  
Mr. Siriphen Sukcharoenyingyong, C.P.A. (Thailand) No. 3636

### **KPMG Phoomchai Audit Ltd.**

50-51 Floor, Empire Tower,  
195 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120  
Tel : 0-2677-2000      Fax : 0-2677-2222

## ➔ LEGAL ADVISOR

### **SCG Legal Counsel Limited**

1 Siam Cement Road, Bangsue, Bangkok 10800  
Tel : 0-2586-5777, 0-2586-5888  
Fax : 0-2586-2976, 0-2586-2977

### **Marut & Rujira Bunnag Law Office**

16 - 18 Boonsiri Road, Bangkok 10200  
Tel : 0-2221-2191 - 4      Fax : 0-2226-3321

### **Chompoo & Associates Co., Ltd.**

5 Boonsiri Road, Bangkok 10200  
Tel : 0-2221-8111 - 3      Fax : 0-2224-1997



## ➔ Major Shareholders

As at December 31, 2010

RANK	MAJOR SHAREHOLDERS	NO. OF SHARES	% SHARES
1	SCG Paper Public Company Limited	309,197,095	86.31
2	Mr. Pornsit Janedittakara	5,896,932	1.65
3	Mr. Kitti Vanijcharoen	5,286,027	1.48
4	Mr. Saksit Janedittakara	4,788,463	1.34
5	Mr. Pisit Janedittakara	4,700,925	1.31
6	Social Security Office	4,203,300	1.17
7	Mr. Verawat Chaiworaporn	3,100,000	0.87
8	Siam Commercial Bank Public Company Limited	987,606	0.28
9	Mr. Wanchai Rangsiyapornrat	943,267	0.26
10	Sahasithi Import Export ( Thailand ) Co., Ltd.	747,575	0.21

## ➔ Management Structure

The management structure of Thai Cane Paper Public Company Limited comprises of five boards/committees which include Board of Directors, Audit Committee, Nomination Committee, Remuneration Committee, and Executive Committee.

### ➔ BOARD OF DIRECTORS

The Company's Board of Directors as at January 31, 2011 comprised of 11 directors as follows:

1. Mr. Roongrote Rangsiyopash Age 48 Years Director whose signature binds the Company	
<b>Nationality</b>	➔ Thai
<b>Education</b>	➔ 1985 B.Eng, (Mining), Chulalongkorn University ➔ 1987 M.S.(Industrial Engineering), University of Texas at Arlington, U.S.A. ➔ 1993 Master of Business Administration, Harvard Business School, U.S.A.
<b>Seminar</b>	➔ Director Accreditation Program 2004, Thai Institute of Directors Association
<b>Current Positions in TCP</b>	➔ Chairman of the Board of Directors, Chairman of the Executive Board of Directors*
<b>Directorship in TCP</b>	➔ 1 Month
<b>Other Current Positions (Director / Executive Director)</b>	➔ Listed Companies - Since 2005 Director, Thai-German Ceramic Industry Public Company Limited - Since 2010 Director, Quality Construction Products Public Company Limited - Since 2011 Chairman, Thai British Security Printing Public Company Limited ➔ Other Business (Non-Listed Companies) - Since 2011 President, SCG Paper Public Company Limited ➔ Holding directorship in other companies which compete directly/have any related business, which is material to the Company - None
<b>Previous Experiences</b>	➔ 1996-1997 Vice President - Production, Tile Cera Inc., U.S.A. ➔ 1997-2000 President, Tile Cera Inc., U.S.A. ➔ 2000-2005 Corporate Planning Director The Siam Cement Public Company Limited ➔ 2005-2010 Director, PTT Chemical Public Company Limited ➔ 2005-2010 Vice President & CFO The Siam Cement Public Company Limited ➔ 2005-2011 Director, Cementhai Ceramics Co., Ltd

**Forbidden qualification:**

1. No record of dishonestly committing an offence against property.
2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

**Remark:** \* Being elected as Director and appointed as Chairman of the Board and Chairman of the Executive Committee in replacement for Mr. Chaovalit Ekabut since January 11, 2011.

## 2. Mr. Krishna Sivakrisakul Age 70 Years Independent Director

<b>Nationality</b>	➔ Thai
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1959 Faculty of Engineering, Chulalongkorn University</li> <li>➔ 1968 B.A. Economic, Thammasat University</li> <li>➔ 1974 Advance Management Program (AMP) Harvard Graduate School of Business, U.S.A.</li> <li>➔ 1989 National Defense College for the Joint State Sectors 1</li> </ul>
<b>Seminar</b>	<ul style="list-style-type: none"> <li>➔ Thai Institute of Directors Association</li> <li>- Directors Certification Program (DCP) 37/2003</li> </ul>
<b>Current Positions in TCP</b>	➔ Director and Chairman of the Remuneration Committee
<b>Directorship in TCP</b>	➔ 10 Years and 7 months
<b>Other Current Positions (Director / Executive Director)</b>	<ul style="list-style-type: none"> <li>➔ Listed Companies <ul style="list-style-type: none"> <li>- None</li> </ul> </li> <li>➔ Other Business (Non-Listed Companies not competing directly/have any related business, which is material to the Company) <ul style="list-style-type: none"> <li>- Since 1988 Chairman of the Executive Board Siam Industrial Corporation Limited</li> </ul> </li> <li>➔ Holding directorship in other companies which compete directly/ have any related business, which is material to the Company <ul style="list-style-type: none"> <li>- None</li> </ul> </li> </ul>
<b>Previous Experiences</b>	<ul style="list-style-type: none"> <li>➔ 2001-2004 Advisor to the Executive Board of Directors Thai Cane Paper Public Company Limited</li> </ul>
<b>Attendance</b>	<ul style="list-style-type: none"> <li>➔ Board of Directors Meetings : 4 times, attended 4 times</li> <li>➔ Remuneration Committee Meetings : 1 times, attended 1 times</li> </ul>

- Forbidden qualification:**
1. No record of dishonestly committing an offence against property.
  2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

## 3. Mr. Damri Tunshevavong Age 58 Years Director whose signature binds the Company

<b>Nationality</b>	➔ Thai
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1976 B.E. (Electrical), Chulalongkorn University</li> <li>➔ 2004 Advanced Management Program (AMP) Harvard University, U.S.A.</li> <li>➔ 2006 INSEAD Inno-Leadership Program. INSEAD, Singapore</li> <li>➔ 2009 Leadership Program, Capital Market Academy (CMA.) Class 8, The Stock Exchange of Thailand</li> </ul>
<b>Seminar</b>	<ul style="list-style-type: none"> <li>➔ Thai Institute of Directors Association <ul style="list-style-type: none"> <li>- Directors Accreditation Program (DAP) SCC/2004</li> <li>- Director Certification Program (DCP) 106/2008</li> <li>- Audit Committee Program (ACP) 24/2008</li> <li>- Role of the Chairman Program (RCP) 22/2009</li> </ul> </li> </ul>

	- Role of the Compensation Committee (RCC) 10/2010
<b>Current Positions in TCP</b>	➔ Director, Member of the Executive Committee, Member of the Nomination Committee
<b>Directorship in TCP</b>	➔ 5 Years
<b>Other Current Positions</b>	➔ Listed Companies
<b>(Director / Executive Director)</b>	<ul style="list-style-type: none"> <li>- None</li> <li>➔ Other Business (Non-Listed Companies not competing directly/have any related business, which is material to the Company) <ul style="list-style-type: none"> <li>- Since 1999 Director, Siam Yamato Steel Company Limited</li> <li>- Since 2005 Director, Iron and Steel Institute of Thailand</li> </ul> </li> <li>➔ Holding directorship in other companies which compete directly/have any related business, which is material to the Company <ul style="list-style-type: none"> <li>- Since 2007 Director, Vina Kraft Paper Co., Ltd. Vietnam</li> </ul> </li> </ul>
<b>Previous Experiences</b>	<ul style="list-style-type: none"> <li>➔ 1999-2005 Managing Director, Siam Yamato Steel Company Limited</li> <li>➔ 2004-2005 Executive Vice President, Cemen Thai Holding Company Limited</li> <li>➔ 2005-2010 Director of Toyota Motor Thailand Company Limited</li> <li>➔ 2005-2010 President of Cemen Thai Holding Company Limited</li> <li>➔ 2005-2011 Director, Siam Kraft Industry Company Limited</li> <li>➔ 2005-2011 Director, Thai Kraft Paper Industry Company Limited</li> </ul>
<b>Attendance</b>	<ul style="list-style-type: none"> <li>➔ Board of Directors Meetings : 4 times, attended 4 times</li> <li>➔ Executive Committee Meetings : 5 times, attended 4 times</li> <li>➔ Nomination Committee Meetings : 2 times, attended 2 times</li> </ul>

**Forbidden qualification:**

1. No record of dishonestly committing an offence against property.
2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

**Remark:** Resigned from the directorship of Siam Kraft Industry Company Limited and Thai Kraft Paper Industry Company Limited since January 31, 2011

#### 4. Mr. Paiboon Pongchairerks Age 60 Years

<b>Nationality</b>	➔ Thai
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1973 B.E. (Industrial Engineering) Chulalongkorn University</li> <li>➔ 1975 M.S. (Industrial and System Engineering) Illinois Institute of Technology, U.S.A.</li> <li>➔ 1983 M.B.A. (Finance and International Trade), University of Chicago, U.S.A.</li> </ul>
<b>Seminar</b>	<ul style="list-style-type: none"> <li>➔ Thai Institute of Directors Association</li> <li>- Director Accreditation Program (DCP) 114/2009</li> </ul>
<b>Current Positions in TCP</b>	➔ Director
<b>Directorship in TCP</b>	➔ 2 Years

<b>Other Current Positions (Director / Executive Director)</b>	<ul style="list-style-type: none"> <li>➔ Listed Companies <ul style="list-style-type: none"> <li>- None</li> </ul> </li> <li>➔ Other Business (Non-Listed Companies not competing directly/have any related business, which is material to the Company)</li> <li>➔ Holding directorship in other companies which compete directly/have any related business, which is material to the Company <ul style="list-style-type: none"> <li>- None</li> </ul> </li> </ul>
<b>Previous Experiences</b>	<ul style="list-style-type: none"> <li>➔ 2004-2010      Managing Director, Thai Union Paper Public Company Limited</li> <li>➔ 2004-2010      Managing Director, Thai Paper Company Limited</li> <li>➔ 2005-2010      Managing Director, Siam Cellulose Company Limited</li> <li>➔ 2005-2010      Director, Thai Union Paper Industry Company Limited</li> <li>➔ 2005-2010      Director, The Siam Pulp and Paper Holding Company Limited</li> <li>➔ 2005-2010      Director, Phoenix Pulp &amp; Paper Public Company Limited</li> </ul>
<b>Attendance</b>	➔ Board of Directors Meetings : 4 times, attended 3 times

- Forbidden qualification:**
1. No record of dishonestly committing an offence against property.
  2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

#### 5. Mr.Yunyong Puthapipat Age 61 Years Director whose signature binds the Company

<b>Nationality</b>	➔ Thai
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1974      B.A. (Cost Accounting), Second Class Honours Chulalongkorn University</li> <li>➔ 1981      M.B.A., Indiana University, U.S.A.</li> </ul>
<b>Seminar</b>	➔ Thai Institute of Directors Association - Director Accreditation Program (DAP) 14/2004
<b>Current Positions in TCP</b>	➔ Director, Member of the Executive Committee, Member of the Remuneration Committee
<b>Directorship in TCP</b>	➔ 7 Years
<b>Other Current Positions (Director / Executive Director)</b>	<ul style="list-style-type: none"> <li>➔ Listed Companies <ul style="list-style-type: none"> <li>- None</li> </ul> </li> <li>➔ Other Business (Non-Listed Companies not competing directly/have any related business, which is material to the Company) <ul style="list-style-type: none"> <li>- Since 2008      Banknote Management Committee Bank of Thailand</li> </ul> </li> <li>➔ Holding directorship in other companies which compete directly/have any related business, which is material to the Company <ul style="list-style-type: none"> <li>- None</li> </ul> </li> </ul>
<b>Previous Experiences</b>	<ul style="list-style-type: none"> <li>➔ 2004-2005      Managing Director, Thai Cane Paper Public Company Limited</li> <li>➔ 2005-2010      Managing Director, Siam Kraft Industry Co., Ltd.</li> <li>➔ 2005-2010      Managing Director, Thai Kraft Paper Industry Co., Ltd.</li> </ul>

	<ul style="list-style-type: none"> <li>➔ 2005-2010 Director, United Pulp and Paper Co., Inc., Philippines</li> <li>➔ 2007-2010 Director, Vina Kraft Paper Co., Ltd. Vietnam</li> </ul>
<b>Attendance</b>	<ul style="list-style-type: none"> <li>➔ Board of Directors Meetings : 4 times, attended 4 times</li> <li>➔ Executive Board of Directors Meetings : 5 times, attended 5 times</li> <li>➔ Remuneration Committee Meetings : 1 times, attended 1 times</li> </ul>

- Forbidden qualification:**
1. No record of dishonestly committing an offence against property.
  2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

#### 6. Ms. Rawewan Peyayopanakul Age 64 Years Independent Director

<b>Nationality</b>	➔ Thai
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1970 B.B.A. (Accounting), Second Class Honours Thammasat University</li> <li>➔ 1975 M.A. (Accounting), Michigan State University Michigan, U.S.A.</li> </ul>
<b>Seminar</b>	<ul style="list-style-type: none"> <li>➔ Thai Institute of Directors Association <ul style="list-style-type: none"> <li>- Director Accreditation Program (DAP) 4/2003</li> <li>- Audit Committee Program (ACP) 4/2005</li> </ul> </li> </ul>
<b>Current Positions in TCP</b>	➔ Director and Member of the Audit Committee
<b>Directorship in TCP</b>	➔ 11 Years and 10 months
<b>Other Current Positions (Director/Executive Director)</b>	<ul style="list-style-type: none"> <li>➔ Listed Companies <ul style="list-style-type: none"> <li>- Since 1999 Member of the Audit Committee Thai Theparos Food Products Public Company Limited</li> <li>- Since 2002 Member of the Audit Committee Tata Steel (Thailand) Public Company Limited</li> <li>- Since 2009 Chairman of the Audit Committee Sabina Public Company Limited</li> </ul> </li> <li>➔ Other Business (Non-Listed Companies not competing directly/have any related business, which is material to the Company) <ul style="list-style-type: none"> <li>- Since 1970 Assistant Professor, Faculty of Commerce and Accountancy, Thammasat University</li> <li>- Since 1972 Certified Public Accountant</li> </ul> </li> <li>➔ Holding directorship in other companies which compete directly/have any related business, which is material to the Company <ul style="list-style-type: none"> <li>- None</li> </ul> </li> </ul>
<b>Previous Experiences</b>	➔ 2003-2006 Member of the Audit Committee, Nakornthai Strip Mill Public Company Limited
<b>Attendance</b>	<ul style="list-style-type: none"> <li>➔ Board of Directors Meetings : 4 times, attended 4 times</li> <li>➔ Audit Committee Meetings : 6 times, attended 6 times</li> </ul>

- Forbidden qualification:**
1. No record of dishonestly committing an offence against property.
  2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

### 7. Mr. Virapan Pulges Age 50 Years Independent Director

<b>Nationality</b>	➔ Thai
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1980 B.Sc., Electrical Engineering and Computer Science University of Colorado, Boulder, Colorado, U.S.A.</li> <li>➔ 1982 M.Sc., Electrical Engineering, University of Colorado Boulder, Colorado, U.S.A.</li> <li>➔ 2010 Leadership Program, Capital Market Academy (CMA.) Class 11, The Stock Exchange of Thailand</li> </ul>
<b>Seminar</b>	<ul style="list-style-type: none"> <li>➔ Thai Institute of Directors Association <ul style="list-style-type: none"> <li>- Fellow Member, Directors Certification Program (DCP) 14/2002</li> <li>- DCP Refresher Course 2006</li> <li>- Audit Committee Program 30/2010</li> </ul> </li> </ul>
<b>Current Positions in TCP</b>	➔ Director and Member of the Nomination Committee
<b>Directorship in TCP</b>	➔ 16 Years and 9 months
<b>Other Current Positions (Director / Executive Director)</b>	<ul style="list-style-type: none"> <li>➔ Listed Companies <ul style="list-style-type: none"> <li>- Since 1998 Director, SVI Public Company Limited</li> <li>- Since 2004 Director, TICON Industrial Connection Public Company Limited</li> <li>- Since 2005 Managing Director, TICON Industrial Connection Public Company Limited</li> </ul> </li> <li>➔ Other Business (Non-Listed Companies not competing directly/have any related business, which is material to the Company) <ul style="list-style-type: none"> <li>- Since 2001 Director, Fabrinet Limited</li> <li>- Since 2004 Director and Treasurer, Thai Venture Capital Association</li> <li>- Since 2006 Director and Treasurer, Singapore-Thai Chamber of Commerce</li> </ul> </li> <li>➔ Holding directorship in other companies which compete directly/have any related business, which is material to the Company <ul style="list-style-type: none"> <li>- None</li> </ul> </li> </ul>
<b>Previous Experiences</b>	<ul style="list-style-type: none"> <li>➔ 1994-2005 Managing Director, H&amp;Q (Thailand) Company Limited</li> <li>➔ 1998-2004 President, Thai Venture Capital Association</li> <li>➔ 2001-2004 Executive Director, Thai Cane Paper Public Company Limited</li> </ul>
<b>Attendance</b>	<ul style="list-style-type: none"> <li>➔ Board of Directors Meetings : 4 times, attended 4 times</li> <li>➔ Nomination Committee Meetings : 2 times, attended 2 times</li> </ul>

- Forbidden qualification:**
1. No record of dishonestly committing an offence against property.
  2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

### 8. Mr. Somboon Chuchawal Age 66 years Director whose signature binds the Company

<b>Nationality</b>	➔ Thai
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1968 B.E. (Civil Engineering), Second Class Honours Chulalongkorn University</li> <li>➔ 1970 M.S. (Logistics Engineering), Asian Institute of Technology</li> <li>➔ 1991 Advanced Management Program (AMP) Harvard University, U.S.A.</li> </ul>

<b>Seminar</b>	<ul style="list-style-type: none"> <li>➔ Thai Institute of Directors Association <ul style="list-style-type: none"> <li>- Director Accreditation Program (DAP) 6/2003</li> <li>- Director Certification Program (DCP) 109/2008</li> </ul> </li> </ul>
<b>Current Positions in TCP</b>	➔ Director, Member of the Executive Committee, Member of the Remuneration Committee
<b>Directorship in TCP</b>	➔ 7 Years and 9 months
<b>Other Current Positions (Director / Executive Director)</b>	<ul style="list-style-type: none"> <li>➔ Listed Companies <ul style="list-style-type: none"> <li>- Since 2005 Director, Executive Director, Chairman of the Remuneration Committee, Thai British Security Printing Public Company Limited</li> </ul> </li> <li>➔ Other Business (Non-Listed Companies not competing directly/have any related business, which is material to the Company) <ul style="list-style-type: none"> <li>- None</li> </ul> </li> <li>➔ Holding directorship in other companies which compete directly/ have any related business, which is material to the Company <ul style="list-style-type: none"> <li>- None</li> </ul> </li> </ul>
<b>Previous Experiences</b>	<ul style="list-style-type: none"> <li>➔ 2001-2005 President, The Siam Pulp and Paper Public Company Limited (recently changed the company's name to SCG PAPER Public Company Limited)</li> <li>➔ 2002-2005 Director, Phoenix Pulp and Paper Public Company Limited</li> <li>➔ 2003-2005 Chairman, Thai Cane Paper Public Company Limited</li> <li>➔ 2005 Chairman, Thai British Security Printing Public Company Limited</li> <li>➔ 2005 Chairman, Phoenix Pulp and Paper Public Company Limited</li> </ul>
<b>Attendance</b>	<ul style="list-style-type: none"> <li>➔ Board of Directors Meetings : 4 times, attended 4 times</li> <li>➔ Executive Board of Directors Meetings : 5 times, attended 5 times</li> <li>➔ Remuneration Committee Meetings : 1 times, attended 1 times</li> </ul>

- Forbidden qualification:**
1. No record of dishonestly committing an offence against property.
  2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

#### 9. Mr. Sobhon Dhammapalo Age 69 Years Independent Director

<b>Nationality</b>	➔ Thai
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1967 B.A. (Economics), Thammasat University</li> <li>➔ 1970 M.B.A. National Institute of Development Administration (NIDA)</li> <li>➔ 2005 LL.B., Ramkhamhaeng University</li> </ul>
<b>Seminar</b>	<ul style="list-style-type: none"> <li>➔ Thai Institute of Directors Association <ul style="list-style-type: none"> <li>- Role &amp; Responsibility of the Chairman 3/2001</li> <li>- Directors Liability Under Thai Law</li> <li>- Improving Board Effectiveness</li> <li>- Board Performance Syndicate Activity</li> <li>- Director Accreditation Program (DAP) 36/2005</li> <li>- Audit Committee Program (ACP) 6/2005</li> </ul> </li> </ul>



<b>Current Positions in TCP</b>	➔ Director and Chairman of the Audit Committee
<b>Directorship in TCP</b>	➔ 17 Years and 6 months
<b>Other Current Positions (Director / Executive Director)</b>	<ul style="list-style-type: none"> <li>➔ Listed Companies <ul style="list-style-type: none"> <li>- None</li> </ul> </li> <li>➔ Other Business (Non-Listed Companies not competing directly/have any related business, which is material to the Company) <ul style="list-style-type: none"> <li>- None</li> </ul> </li> <li>➔ Holding directorship in other companies which compete directly/have any related business, which is material to the Company <ul style="list-style-type: none"> <li>- None</li> </ul> </li> </ul>
<b>Previous Experiences</b>	<ul style="list-style-type: none"> <li>➔ 1996-1997 Executive Director, Thai Cane Paper Public Company Limited</li> <li>➔ 1993-2007 Managing Director, CMIC Leasing Company Limited</li> </ul>
<b>Attendance</b>	<ul style="list-style-type: none"> <li>➔ Board of Directors Meetings : 4 times, attended 4 times</li> <li>➔ Audit Committee Meetings : 6 times, attended 6 times</li> </ul>

- Forbidden qualification:**
1. No record of dishonestly committing an offence against property.
  2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

#### 10. Pol. Maj. Gen. Urai See-Urai Age 75 Years Independent Director

<b>Nationality</b>	➔ Thai
<b>Education</b>	➔ 1960 LL.B., Thammasat University
<b>Seminar</b>	<ul style="list-style-type: none"> <li>➔ Thai Institute of Directors Association <ul style="list-style-type: none"> <li>- Director Accreditation Program (DAP) 34/2005</li> <li>- Audit Committee Program (ACP) 6/2005</li> </ul> </li> <li>➔ The Stock Exchange of Thailand <ul style="list-style-type: none"> <li>- Accounting for Non-Accounting Audit Committee</li> </ul> </li> </ul>
<b>Current Positions in TCP</b>	➔ Director, Member of the Audit Committee and Chairman of the Nomination Committee
<b>Directorship in TCP</b>	➔ 10 Years and 7 months
<b>Other Current Positions (Director / Executive Director)</b>	<ul style="list-style-type: none"> <li>➔ Listed Companies <ul style="list-style-type: none"> <li>- None</li> </ul> </li> <li>➔ Other Business (Non-Listed Companies not competing directly/have any related business, which is material to the Company) <ul style="list-style-type: none"> <li>- None</li> </ul> </li> <li>➔ Holding directorship in other companies which compete directly/ have any related business, which is material to the Company <ul style="list-style-type: none"> <li>- None</li> </ul> </li> </ul>
<b>Previous Experiences</b>	<ul style="list-style-type: none"> <li>➔ 2000-2003 Chairman, Thai Cane Paper Public Company Limited</li> <li>➔ 2001-2003 Advisor to the Executive Board of Directors Thai Cane Paper Public Company Limited</li> </ul>

<b>Attendance</b>	<ul style="list-style-type: none"> <li>➔ Board of Directors Meetings: 4 times, attended 4 times</li> <li>➔ Audit Committee Meetings: 6 times, attended 6 times</li> <li>➔ Nomination Committee Meetings: 2 times, attended 2 times</li> </ul>
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**Forbidden qualification:**

1. No record of dishonestly committing an offence against property.
2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

#### 11. Mr. Twatchai Wongpaisarn Age 50 Years Director whose signature binds the Company

<b>Nationality</b>	➔ Thai
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1983 B.E. (Industrial Engineering), Chulalongkorn University</li> <li>➔ 1992 Master of Business Administration, Marketing, Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> </ul>
<b>Seminar</b>	<ul style="list-style-type: none"> <li>➔ Thai Institute of Directors Association</li> <li>- Director Certification Program (DCP) 138/2010</li> </ul>
<b>Current Positions in TCP</b>	➔ Director, Member of the Executive Committee, Managing Director*
<b>Directorship in TCP</b>	➔ 5 Month
<b>Other Current Positions (Director / Executive Director)</b>	<ul style="list-style-type: none"> <li>➔ Listed Companies</li> <li>- None</li> <li>➔ Other Business (Non-Listed Companies)</li> <li>- None</li> <li>➔ Holding directorship in other companies which compete directly/have any related business, which is material to the Company</li> <li>- None</li> </ul>
<b>Previous Experiences</b>	<ul style="list-style-type: none"> <li>➔ 2003-2005 Managing Director, Siam Furukawa Trading Co., Ltd.</li> <li>➔ 2005-2006 Managing Director, Siam Furukawa Co., Ltd.</li> <li>➔ 2006-2007 Management, President Office. Cementhai Holding Company Limited</li> <li>➔ 2007-2010 Director and General Manager, Thai Containers Group Co., Ltd.</li> </ul>
<b>Attendance</b>	<ul style="list-style-type: none"> <li>➔ Board of Directors Meetings : 4 times, attended 1 times</li> <li>➔ Executive Board of Directors Meetings : 5 times, attended 2 times</li> </ul>

**Forbidden qualification:**

1. No record of dishonestly committing an offence against property.
2. No record of entering into any transaction which may cause conflict of interest against the Company during the year.

**Remark:**

\* Being elected as Director and appointed as Managing Director, Executive Director of the Executive Committee in replacement for Mr. Poramate Lamroongroj since August 1, 2010.

➔ **CHANGES IN DIRECTORS' SHAREHOLDING REPORT - TCP** (as at December 31, 2010)

No.	Name	TCP			AFFILIATED COMPANY			
		Common Shares (number of shares held)			Common Shares (number of shares held)		Debenture (number of shares held)	
		own holding	Spouse's or minor children's holding	Increase (decrease) during Jan- Dec'09	own holding	Increase (decrease) during Jan- Dec'09	own holding	Increase (decrease) during Jan- Dec'09
1.	Mr. Chaovalit Ekabut	-	-	-	-	(18,000)*	-	-
2.	Mr. Krishna Sivakrisakul	-	-	-	-	-	-	-
3.	Mr. Damri Tunshevavong	-	-	-	-	-	-	-
4.	Mr. Paiboon Pongchairerks	-	-	-	3,000*	-	-	-
5.	Mr. Yunyong Puthapipat	-	-	-	-	-	-	-
6.	Ms. Rawewan Peyayopanakul	-	-	-	-	-	-	-
7.	Mr. Virapan Pulges	-	-	-	-	-	-	-
8.	Mr. Somboon Chuchawal	-	-	-	-	-	-	-
9.	Mr. Sobhon Dhammapalo	-	120,000	-	-	-	-	-
10.	Pol. Maj. Gen. Urai See-Urai	-	-	-	-	-	-	-
11.	Mr. Twatchai Wongpaisarn	-	-	-	-	-	-	-

- Remark :**
1. Thai Cane Paper Public Company Limited has a registered capital of 3,583,887,210 Baht and paid-up capital of 3,582,537,210 Baht with 358,253,721 ordinary shares.
  2. According to the Public Limited Companies Act, an "affiliated company" means a public limited company with a relationship to a private company or with any public limited company, or with any companies in the following manner:
    - Any company that the authority to control the appointment and removal of directors with full management authority or that has majority management authority.
    - Holds more than 50% of issued shares.
  3. \*The Siam Cement Public Company Limited
  4. The shareholdings may be changed if the directors and spouse or minor children trade the securities after the above indicated date.

## ➡ THE BOARD OF DIRECTORS

The directors' authorization to bind the Company as follows: Mr. Roongrote Rangsiyopash, Mr. Somboon Chuchawal, Mr. Damri Tunshevavong, Mr. Yunyong Puthapipat, Mr. Twatchai Wongpaisarn two directors of these five directors jointly sign together with the corporate seal affixed.

## ➡ SCOPE OF AUTHORITY OF THE BOARD OF DIRECTORS AND COMMITTEES

### 1) The Board of Directors

The numbers of current directors eleven. The Board of Directors consists of ten non-executive directors which included five independent directors, and one Company's executive to ensure effective and efficient performance. The Board holds at least four regular scheduled meetings per year. Board members receive the agenda and all supporting documents for each meeting well in advance to allow sufficient time for preparation. The Board considers all matters with due regard to the interests of the shareholders. The Chairman ensures that there is adequate time for a thorough discussion of each agenda item with independent and full exchange of views.

#### Directors' Term on Board

At the Ordinary General Meeting each year, one third of the total directors must retire from the office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third must retire from the office. In choosing those directors who retire, length of service on the board should therefore be considered with those longest serving most eligible to retire. However, a retiring director is eligible for re-election.

The selection of candidates to be directors will select the persons who are highly qualified and experienced professionals from various fields, demonstrating great leadership, with comprehensive vision and proven record of ethical and integrity, as well as ability to express opinions and judgments freely.

#### Scope of authority of the Board of Directors of the Company

The Board of Directors essentially has the following authorities:

1. The Board is authorized to manage and direct the Company's operations with honest, good faith and vigilance by principally taking into consideration the interests of the Company to be in line with the objectives, the Articles of Association, and the resolutions of Shareholders' Meetings.

2. The Board is responsible for overseeing the corporate policy of the Company to balance and sustain interests yet wealth of all stakeholders.

3. The Board is responsible for considering the Company's operating plans and developing higher competitiveness in global level.

4. The Board shall review and evaluate the performance of the Company as well as evaluate the performance of the Company's top executive (Managing Director).

5. The Board maintains and develops proactive risk management system.
6. The Board must devote their time and resources to attend and perform their duties in an effective and efficient manner. They must avoid having competitive interest and be committed to the Company's best interest.
7. The Board conducts the Company's business in line with Good Principles of Corporate Governance, Code of Best Practice for Directors of Listed Companies and Guideline of SEC and SET in pursuit of business excellence.
8. The Board is responsible for overseeing and monitoring the performance of the Company. The Board ensures that the Company shall report its operating performance on a regular basis while establishing a corporate policy for the development of the Company's operations.
9. The Board promotes awareness of the significance of business ethics among employees at all levels. It also promotes internal controls and internal auditing to ensure corporate integrity is maintained and to prevent any fraudulent practices.
10. The Boards treats all shareholders with regard to their rights equitably. Shareholders can actively exercise their rights and access to corporate information with full disclosure and transparency.

The Board shall authorize directors, the sub-committee, individuals or juristic persons to perform jointly or separately any duty in accordance with the objectives and Articles of Association of the Company in return for remuneration as determined by the Board. The Board has the right to change or revoke the authority given to such persons, or remove such person from duty, and appoint other individuals for replacement, as deemed appropriate. Still, the authorized or appointed persons must perform their duties in accordance with the regulations, orders and policies set by the Board.

## 2) The Audit Committee

The Audit Committee as at January 31, 2011 consisted of 3 persons as follows:

- |                        |               |                                 |
|------------------------|---------------|---------------------------------|
| 1. Mr. Sobhon          | Dhammapalo    | Chairman of the Audit Committee |
| 2. Ms. Rawewan         | Peyayopanakul | Audit Committee Member          |
| 3. Pol. Maj. Gen. Urai | See-Urai      | Audit Committee Member          |

### The Audit Committee's Term on Board

The Audit Committee is subject to a three-year term on board. However, a retiring director is eligible for re-election.

### Scope of authority of the Audit Committee

The Audit Committee is authorized to fulfill the following scopes of duty:

1. Review that the Company has appropriate financial reports system and the Company regularly discloses its financial statements in accordance with the legally defined accounting principle with transparency and adequacy.

2. Support establishment of financial report development in compliance with the international accounting standard.
3. Review and ensure that the Company has appropriate and effective internal control and internal audit systems that comply with international accepted approaches and standards.
4. Review and ensure that the Company has in place proactive operation systems to enhance operating effectiveness and efficiency.
5. Review corporate risk management system.
6. Review and ensure that the Company is in full compliance with the laws on securities and the Stock Exchange, and other laws relating to the Company's business.
7. Review the report on dishonesty and establish internal preventive measure.
8. Review the righteousness and effectiveness of the information technology system relating to the internal control system, financial reports and risk management and suggest the improvement on up-to-date system regularly.
9. Consider the connected transaction or factor that might constitute any conflict of interest to be in compliance with law and regulations specified by the SET.
10. Review and ensure that the assessment of the entire Audit Committee's performance and the self-assessment of each individual member's performance take place annually.
11. Review and comment on the operation of the Internal Audit Office and also cooperate with the Company's auditor.
12. Prepare Audit Committee's report and disclose in the Company's annual report, which is duly signed by the Chairman of the Audit Committee and also include the committee's opinions on the matters required by SET.
13. Consider, select and nominate the appointment and remuneration of the Company's external auditor.
14. Arrange the meeting with the external auditor without the presence of the Company's management.
15. Review and ensure that the evaluation of the Audit Office is in compliance with international standards.
16. Consider and approve the budgets and manpower of the Internal Audit Office or select the internal auditor as in the case of outsourcing.
17. Consider the appointment, removal, transfer or dismissal of the Audit Office Head or change the internal auditor as in the case of outsourcing.
18. Consider the independence of the Audit Office based on its performance, reports and line of command.
19. Take other actions in compliance with the law or assignments by the Board.

In action thereof, the Audit Committee is authorized to summon order the Company's management executives, unit heads, or employees concerned to present opinions, attend meetings, or submit the necessary documents as well as seek for independent advices from other external professional advisors as deems appropriate on the Company's expense.

The Audit Committee performs duties within the authority and responsibility under the order of the Board. The Board is responsible for the Company's operations as is directly accountable to shareholders, stakeholders and public.

### **3) The Nomination Committee**

The Nomination Committee as at January 31, 2011 consisted of 3 persons as follows:

- |                                 |                                      |
|---------------------------------|--------------------------------------|
| 1. Pol. Maj. Gen. Urai See-Urai | Chairman of the Nomination Committee |
| 2. Mr. Damri Tunshevavong       | Nomination Committee Member          |
| 3. Mr. Virapan Pulges           | Nomination Committee Member          |

#### **The Nomination Committee's Term on Board**

The Nomination Committee is subject to a three-year term on board. However, a retiring director is eligible for re-election.

#### **Scope and authority of the Nomination Committee**

1. Review independency of the Board of Directors and the issues of conflicts of interest.
2. Should there be a few alterations made to the directors' qualifications, the Committee shall review the appropriateness for directorship.
3. Regularly make a progress report on the results of performance and submit it to the Board after the Nomination Committee Meetings.
4. Specify qualifications of a person to be nominated for directorship and lay down the director nomination process to replace the retiring director by considering an eligible candidate with skills, experiences and expertise.
5. Identify qualified candidates to replace directors who complete their terms, or for other reason, and submit a list of nominees to the Board of Directors' and/or shareholders' meeting for resolution.
6. Should there be any alteration to the Charter of the Nomination Committee, the Committee shall review and recommend appropriate improvements and revisions to the Board for consideration and resolution in keeping it modern and applicable.
7. Carry out any other business as designated by the Board.

In action thereof, the Nomination Committee is authorized to summon order the Company's management executives, unit heads, or employees concerned to present opinions, attend meetings, or submit the necessary documents as well as seek for independent advices from other external professional advisors as deems appropriate on the Company's expense.

#### **4) The Remuneration Committee**

The Remuneration Committee as at January 31, 2011 consisted of 3 persons as follows:

1. Mr. Krishna Sivakrisakul Chairman of the Remuneration Committee
2. Mr. Yunyong Puthapipat Remuneration Committee Member
3. Mr. Somboon Chuchawal Remuneration Committee Member

#### **The Remuneration Committee's Term on Board**

The Remuneration Committee is subject to a three-year term on board. However, a retiring director is eligible for re-election.

#### **Scope of authority of the Remuneration Committee**

1. Propose guidelines and methods of payment of remuneration, including annual honorarium and meeting fees to the Board and the Sub-committees appointed by the Board.

2. Propose policy on management incentives, including salary and bonus, in line with the Company's operating results, and the performance of each management executive, and whenever it deems appropriate, the Committee shall consider hiring consulting firm(s) to advise on project implementation.

3. Prior to the submission of the Managing Director's remuneration for the Board's approval, the Remuneration Committee shall assess the Managing Director's performance on an annual basis.

4. Consider, prior to presenting to the Board, the budget for the salary increase, change of wage/remuneration and bonus of the senior executives.

5. Regularly review, study and track the changes and trends in remuneration for the Board and the executives and report its findings to the Board for approval.

6. Consider the annual remuneration for the Board as compared to the remuneration offered by other listed companies operating in the same business, to ensure that the Company retains its leadership in that industry and to motivate them to foster the continuing development of the Company.

7. Regularly make a progress report on the results of performance and submit it to the Board after the Remuneration Committee Meetings.

8. Assess the Remuneration Committee's performance and report the results to the Board.

9. Should there be any alteration to the Charter of the Remuneration Committee, the Committee shall review and recommend appropriate improvements and revisions to the Board for consideration and resolution in keeping it modern and applicable.



10. Carry out any other business as designated by the Board.

In action thereof, the Remuneration Committee is authorized to summon order the Company's management executives, unit heads, or employees concerned to present opinions, attend meetings, or submit the necessary documents as well as seek for independent advices from other external professional advisors as deems appropriate on the Company's expense.

#### **5) The Executive Committee**

The Executive Committee as at January 31, 2011 consisted of 5 persons as follows:

- |                  |              |                                     |
|------------------|--------------|-------------------------------------|
| 1. Mr. Roongrote | Rangsiyopash | Chairman of the Executive Committee |
| 2. Mr. Damri     | Tunshavong   | Executive Committee Member          |
| 3. Mr. Yunyong   | Puthapipat   | Executive Committee Member          |
| 4. Mr. Somboon   | Chuchawal    | Executive Committee Member          |
| 5. Mr. Twatchai  | Wongpaisarn  | Executive Committee Member          |

#### **Scope and authority of the Executive Committee**

The Executive Committee has duties and responsibilities to manage and supervise all the Company's business as designated by the Board who may assign it to manage anything in its place within the scope stipulated by the law, objectives, and the Company's Articles of Association as well as the resolutions of the Board. The Executive Committee must perform his duties with honest, good faith and vigilance by principally taking into consideration the interests of the Company and its shareholders.

## ➔ Management Executives

The Company's management executives as at January 25, 2010 consisted of 6 persons as follows:

### 1. Mr. Twatchai Wongpaisarn

<b>Position</b>	➔ Managing Director
<b>Education</b>	➔ 1983 B.E. (Industrial Engineering), Chulalongkorn University ➔ 1992 MBA, Marketing, Sasin Graduate Institute of Business Administration of Chulalongkorn University
<b>Previous Experience</b>	➔ 2005-2006 Manager Director, Siam Furukawa Co., Ltd. ➔ 2006-2007 Management, President Office. Cementhai Holding Company Limited ➔ 2007-2010 Director and General Manager, Thai Containers Group Co., Ltd.

**Forbidden qualification:**

1. No record of dishonestly committing an offence against property.
2. Not record of entering into any transaction which may cause conflict of interest against the Company during the year.

### 2. Mr. Suttipong Poomsrisa-Ard

<b>Position</b>	➔ Mill Manager - Prachinburi Mill
<b>Education</b>	➔ 1987 B.E. (Electrical Engineering), King Mongkut's University of Technology Thonburi
<b>Previous Experience</b>	➔ 1987-1999 Engineer and Electrical & Instrument section Manager, Thai Paper Co., Ltd. ➔ 1999-2000 Paper Machine no.4 Section Manager, Thai Paper Co., Ltd. ➔ 2000-2005 Maintenance & Energy Department Manager, Thai Union Paper Public Company Limited ➔ 2005-2007 Production Department Manager, Thai Union Paper Public Company Limited ➔ 2007-2010 Production Division Manager, Thai Union Paper Industry Co., Ltd.

**Forbidden qualification:**

1. No record of dishonestly committing an offence against property.
2. Not record of entering into any transaction which may cause conflict of interest against the Company during the year.

### 3. Mr. Ong-ard Limprayulyong

<b>Position</b>	➔ Executive Vice President - Finance, Accounting & MIS
<b>Education</b>	➔ 1978 B.A. (Cost Accounting), Chulalongkorn University
<b>Previous Experience</b>	➔ 1982-1984 Accounting Staff, Siam Pulp & Paper Co., Ltd. ➔ 1984-1989 Accounting & Finance Manager, Thai Paper Co., Ltd. ➔ 1989-1990 Mill Accounting Manager, Siam Kraft Industry Co., Ltd. ➔ 1990-1992 Project Manager, Thepthanyapa Co., Ltd. (Theptharin Hospital)

	<ul style="list-style-type: none"> <li>➔ 1992-1995      Managing Director, M. Property Development Co., Ltd.</li> <li>➔ 1996-1998      Administration Director, Jettanin Co., Ltd. (Jettanin Hospital)</li> <li>➔ 1998-2002      Senior Accounting &amp; Finance Manager, Advance Agro Public Company Limited</li> </ul>
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- Forbidden qualification:**
1. No dishonestly committing an offence against property.
  2. Not entering into any transaction which may cause conflict of interest against the Company during the year.

#### 4. Mrs. Naphaporn Kanjanatawewat

<b>Position</b>	➔ Executive Vice President - Marketing
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1984      B.A. (Economics), Thammasat University</li> <li>➔ 1990      M.B.A. (Marketing), Thammasat University</li> </ul>
<b>Previous Experience</b>	<ul style="list-style-type: none"> <li>➔ 1984-1993      Marketing Planning Section Manager, Siam Kraft Industry Co., Ltd.</li> <li>➔ 1993-1994      Sales Manager, Thai Union Paper Industry Co., Ltd.</li> <li>➔ 1994-2001      Marketing Manager, Advance Agro Public Company Limited</li> </ul>

- Forbidden qualification:**
1. No dishonestly committing an offence against property.
  2. Not entering into any transaction which may cause conflict of interest against the Company during the year.

#### 5. Mr. Prakorb Pikulkarntalerd

<b>Position</b>	➔ Mill Manager - Kanchanaburi Mill
<b>Education</b>	<ul style="list-style-type: none"> <li>➔ 1988      B. Eng. (Chemical Engineering), King Mongkut's University of Technology Thonburi</li> <li>➔ 1995      Diploma in pulp and paper technology Auckland University (New Zealand)</li> </ul>
<b>Previous Experience</b>	<ul style="list-style-type: none"> <li>➔ 1988      Engineer, Siam Kraft Industry Co., Ltd.</li> <li>➔ 1993      Engineer, Thai Kraft Paper Industry Co., Ltd.</li> <li>➔ 1997      Quality Control Section Manager, Thai Union Paper Industry Co., Ltd.</li> <li>➔ 1999      Production Support Department Manager Thai Kraft Paper Industry Co., Ltd.</li> <li>➔ 2003      Production Department Manager, Siam Kraft Industry Co., Ltd.</li> </ul>

- Forbidden qualification:**
1. No record of dishonestly committing an offence against property.
  2. Not record of entering into any transaction which may cause conflict of interest against the Company during the year.

## ➔ CHANGES IN MANAGEMENT EXECUTIVES' SHAREHOLDING REPORT

(as at December 31, 2010)

Common Shares (number of shares held)					
No.	Name		Own Holding	Spouse's or minor children's holding	Increase (decrease) during Jan-Dec'09
1.	Mr. Nakorn	Manomayangoon	- nil -	- nil -	- nil -
2.	Mr. Ong-ard	Limprayulyong	- nil -	- nil -	- nil -
3.	Mrs. Naphaporn	Kanjanatawewat	- nil -	- nil -	- nil -
4.	Mr. Prakorb	Pikulkarntalerd	- nil -	- nil -	- nil -

- Remarks:**
1. Thai Cane Paper Public Company Limited has a registered capital of 3,583,887,210 Baht and paid-up capital of 3,582,537,210 Baht with 358,253,721 ordinary shares.
  2. In reference with the Notification of the Capital Market Supervisory Board, Thailand No. Tor. Chor. 23/2551, "management" shall mean managers or the first 4 persons in the management level next below the manager, all persons who hold positions equivalent to the fourth person in the management level, including persons in the management level and be in charge of accounting and finance who hold positions next above the department managers or equivalent.
  3. The shareholdings may be changed if the directors and spouse or minor children trade the securities after the above indicated date.

## ➔ REMUNERATION AND BENEFITS FOR THE BOARD OF DIRECTORS AND MANAGEMENT EXECUTIVES

The remuneration and benefits for the Board of Directors and management executives as at December 31, 2010 were the following:

### 1. Financial Remuneration

- (a) The 11 board members received cash payment from the Company for their director honorariums and meeting fees in the amount of 4,696,835 Baht.
- (b) The 3 audit committee members received cash payment from the Company for their committee honorariums and meeting fees in the amount of 630,000 Baht.

➔ BASIS FOR REMUNERATION PAYMENT OF THE BOARD OF DIRECTORS AND SUB-COMMITTEE

(in Baht)

The Board		Directors' Annual Honarium (per year)	Meeting Fee (per meeting)
1. Board of Directors	Chairman	90,000	30,000
	Director	90,000	15,000
2. Audit Committee	Chairman	90,000	20,000
	Committee Member	90,000	15,000
3. Nomination Committee	Chairman	60,000	30,000
	Committee Member	60,000	15,000
4. Remuneration Committee	Chairman	60,000	20,000
	Committee Member	60,000	15,000
5. Executive Committee	Chairman	60,000	20,000
	Executive Committee	60,000	15,000

➔ LISTS OF DIRECTORS AND NUMBERS OF THEIR MEETING ATTENDANCE IN 2010

Name	Board of Directors (11 persons) Totaling 4 times /year	The Audit Committee (3 persons) Totaling 6 times /year	Meeting Attendance			Shareholders' Meeting Total 1 time /year
			The Nomination Committee (3 persons) Total 2 times /year	The Remuneration Committee (3 persons) Total 1 times /year	The Executive Committee (5 persons) Total 5 times /year	
Chairman	Mr. Chaovalit Ekabut	Mr. Sobhon Dhammapalo	Pol.Maj.Gen.Urai See-Urai	Mr. Krishna Sivakrisakul	Mr. Chaovalit Ekabut	
1. Mr. Chaovalit Ekabut	4				5	1
2. Mr. Krishna Sivakrisakul	4			1		1
3. Mr. Damri Tunshevavong	4		2		4	1
4. Mr. Paiboon Pongchairerks	3					1
5. Mr. Yunyong Puthapipat	4			1	5	1
6. Ms. Rawewan Peyayopanakul	4	6				1
7. Mr. Virapan Pulges	4		2			1
8. Mr. Somboon Chuchawal	4			1	5	1
9. Mr. Sobhon Dhammapalo	4	6				1
10. Pol. Maj. Gen. Urai See-Urai	4	6	2			1
11. Mr. Poramate Larnroongroj	2				3	1
12. Mr. Twatchai Wongpaisarn <sup>1</sup>	1				2	

<sup>1</sup> Mr. Twatchai Wongpaisarn was elected as Director and appointed as Managing Director, Executive Director of the Executive Committee in replacement for Mr. Poramate Larnroongroj since August 1, 2010.

- No. 2, 6, 7, 9 and 10, five persons, were Independent Directors.
- No. 6, 9 and 10, three persons, were Audit Committee.
- No. 3, 7 and 10, three persons, were Nomination Committee.
- No. 2, 5 and 8, three persons, were Remuneration Committee.

➔ REMUNERATION OF THE BOARD OF DIRECTORS FOR THE YEAR 2010

Name	Board of Directors			Audit Committee			Nomination Committee			Remuneration Committee			Executive Committee			Total Remuneration
	Annual Honorarium (Baht)	Meeting Fee* (Baht)	Annual Honorarium (Baht)	Meeting Fee (Baht)	Annual Honorarium (Baht)	Meeting Fee (Baht)	Annual Honorarium (Baht)	Meeting Fee (Baht)	Annual Honorarium (Baht)	Meeting Fee (Baht)	Annual Honorarium (Baht)	Meeting Fee (Baht)	Annual Honorarium (Baht)	Meeting Fee (Baht)		
	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)		
1. Mr. Chaovalit Ekabut	181,985	150,000	-	-	-	-	-	-	-	-	-	-	60,000	100,000	491,985	
2. Mr. Krishna Sivakrisakul	181,985	75,000	-	-	-	-	-	60,000	20,000	-	-	-	-	-	336,985	
3. Mr. Damri Tunshevavong	181,985	75,000	-	-	60,000	30,000	-	-	-	-	-	-	60,000	60,000	466,985	
4. Mr. Paiboon Pongchairerks	181,985	60,000	-	-	-	-	-	-	-	-	-	-	-	-	241,985	
5. Mr. Yunyong Puthapipat	181,985	75,000	-	-	-	-	-	60,000	15,000	-	-	-	60,000	75,000	466,985	
6. Ms. Rawewan Peyayopanakul	181,985	75,000	90,000	90,000	-	-	-	-	-	-	-	-	-	-	436,985	
7. Mr. Virapan Pulges	181,985	75,000	-	-	60,000	30,000	-	-	-	-	-	-	-	-	346,985	
8. Mr. Somboon Chuchawal	181,985	75,000	-	-	-	-	-	60,000	15,000	-	-	-	60,000	75,000	466,985	
9. Mr. Sobhon Dhammapalo	181,985	75,000	90,000	180,000	-	-	-	-	-	-	-	-	-	-	526,985	
10. Pol. Maj. Gen. Urai See-Urai	181,985	75,000	90,000	90,000	60,000	40,000	-	-	-	-	-	-	-	-	536,985	
11. Mr. Poramate Lamroongroj	144,485	45,000	-	-	-	-	-	-	-	-	-	-	35,000	45,000	269,485	
12. Mr. Twatchai Wongpaisarn <sup>1</sup>	37,500	15,000	-	-	-	-	-	-	-	-	-	-	25,000	30,000	107,500	
<b>Total</b>	<b>2,001,835</b>	<b>870,000</b>	<b>270,000</b>	<b>360,000</b>	<b>180,000</b>	<b>100,000</b>	<b>180,000</b>	<b>50,000</b>	<b>300,000</b>	<b>385,000</b>	<b>4,696,835</b>					

REMARKS : <sup>1</sup> Mr. Twatchai Wongpaisarn was elected as Director and appointed as Managing Director, Executive Director of the Executive Committee in replacement for

Mr. Poramate Lamroongroj since August 1, 2010, his annual remuneration will be calculated in relation to his period of retaining office.

- \*Include meeting fee to attend the Shareholders' Meeting which be held on March 20, 2009.

- Company car has been provided for Managing Director.

(c) The 8 executives (there was change in management executives during the year) received cash payment from the Company for their salaries and bonus in the amount of 17,822,600 Baht.

## **2. Remuneration in Kind**

Company's contribution to the provident fund for management executives was in the amount of 1,258,200 Baht. The Company cars have been provided for the management executives.

### **➡ AUDITOR'S REMUNERATION FOR ACCOUNTING PERIOD ENDED DECEMBER 31, 2010**

#### **1. Audit Fee**

For this fiscal period, Thai Cane Paper Public Company Limited paid the audit fee of 1.06 million Baht to KPMG Phoomchai Audit Ltd. which is the company where the auditors are working, and to the persons or the businesses concerned with the auditors and the company where they are working.

#### **2. Non-Audit Fee**

For this fiscal period, Thai Cane Paper Public Company Limited did not receive other kind of services from the company where the auditors are working, and from the persons or the businesses concerned with the auditors and the company where they are working.

### **➡ DIVIDEND POLICY**

Thai Cane Paper Public Company drew policy on dividends payment based on the Company's annual net income, capital investment provisions and financial obligation.



## ➔ Supervision and Corporate Governance

### ➔ SUPERVISION AND CORPORATE GOVERNANCE

The Company's Board of Directors pledged its commitment to conform and operate in tune with the Principles of Corporate Governance which guidelines for best practices divide into:

1. The right of Shareholders
2. The equitable treatment of shareholders
3. The role of stakeholders in corporate governance
4. Disclosure and transparency
5. The responsibilities of the Board

At the company level, the Board of Directors assigns and authorizes the management executives to oversee and monitor the Company's operations and performance. The management executives meet and prepare reports, at least on a monthly basis. The management executives are under consistent supervision of the Executive Committee and the Board of Directors to ensure the Company's operations are followed up closely and proper corrective actions are taken to improve the Company's performance. (For more information, see page 86)

### ➔ SUPERVISION ON THE USAGE OF INTERNAL INFORMATION

The Company has policy and procedures to monitor its executives on the use of inside information for their own interests, in particular for securities trading. Every executive has to report details of Company's securities he/she holds and any changes of his/her share status to the SEC. In addition, he/she has to file a report of securities holding and report of change in his/her holding to the SEC and the Company every time securities are bought, sold, transferred or accepted transfer. The report must be filed within three working days from the day there is such a change to the securities.

In addition to strictly enforce laws and Company regulations regarding internal information i.e. the Securities and Stock Exchange Act B.E. 2535 (1992), the Company also imposes a blackout period before financial information is released during which directors, management executives, and employees (including spouses and minor children) are prohibited from trading Company shares for period of two weeks prior to the releases of quarterly and annually financial statements and information, and for 24 hour after the release of such information. This is also included any information that have impacts on share price.

With regard to the supervision and protection on the usage of internal information, the Company has designated that only the directly involved persons can access to specific information. Moreover, the Company has restricted on-line access to information which is classified as confidential on the SAP System, or which may affect the Company's operations, with a system of access control rights and passwords.

### ➔ INTERNAL CONTROL

The Company has set up an independent Audit Committee in conformance with the guidelines of the Stock Exchange of Thailand. The Audit Committee approved the report of the Audit Committee which summarized opinions over the adequacy and appropriateness of the Company's internal control system. (Reference to the report of the Audit Committee 2010 and for more information see page 97)

## ➔ Related Party Transactions

The Company had significant business transactions with its related parties which are related by way of shareholding or having common shareholders and/or common directors. All are normal transactions and in accordance with general commercial terms with inter-pricing policy as per described in notes to financial statement No. 4

Details of Related Party Transactions between the Company and a company which may have a potential conflict:

Type of Transaction	Related Company	Amount (Million Baht)	Pricing Policy
1. Sales	Siam Kraft Industry Co., Ltd.	906.07	Market price applied with third party transaction
	Thai Containers Group Co., Ltd.	595.01	
	Thai Containers (TCC) Co., Ltd.	235.31	
	Thai Containers Saraburi Co., Ltd.	163.01	
	Thai Containers Rayong Co., Ltd.	103.52	
	Thai Containers Songkhla (1994) Co., Ltd.	78.68	
	Thai Containers Khonkaen Co., Ltd.	10.98	
	SCG Logistics Management Co., Ltd.	0.66	
	SCI Eco Services Co., Ltd.	0.49	
	SCG Paper Public Company Limited	0.46	
Total		2,094.18	
2. Service incomes and others	Thai Union Paper Industry Co., Ltd.	0.16	Market price applied with third party transaction
	Siam Kraft Industry Co., Ltd.	0.06	
	The Siam Forestry Co., Ltd.	0.03	
	Thai Kraft Paper Industry Co., Ltd.	0.00	
	Thai Containers Group Co., Ltd.	0.00	
	SCG Paper Public Company Limited	0.00	
Total		0.26	
3. Purchases	Siam Kraft Industry Co., Ltd.	1,155.90	Market price applied with third party transaction
	Phoenix Pulp & Paper Public Company Limited	422.51	
	SCG Trading Co., Ltd.	318.69	
	Cementthai SCT (U.S.A.), Inc.	36.23	

Type of Transaction	Related Company	Amount (Million Baht)	Pricing Policy
	Cementthai SCT (Singapore) Pte., Ltd.	20.75	Market price applied with third party transaction
	InfoZafe Co., Ltd.	18.12	
	Thai Kraft Paper Industry Co., Ltd.	17.12	
	Thai Paper Co., Ltd.	11.67	
	United Pulp & Paper Co., Inc.	9.47	
	SCG Cement Co., Ltd.	4.31	
	Siam Fiberglass Co., Ltd.	1.26	
	SCG Sourcing Company Limited	1.08	
	The Siam Cement Public Company Limited	0.33	
	SCG Network Management Co., Ltd.	0.22	
	Thai Union paper Industry Co., Ltd.	0.17	
	Siam Cellulose Co., Ltd.	0.17	
	Thai Containers (TCC) Co., Ltd.	0.09	
	The Siam Refractory Industry Co., Ltd.	0.08	
	Siam Sanitary Ware Industry Co., Ltd.	0.07	
	SCG Paper Public Company Limited	0.03	
	Thai Containers Group Co., Ltd.	0.02	
	Total	2,018.28	
4.	SCG Logistics management Co., Ltd.	18.79	Market price applied with third party transaction
	The Deves Insurance Public Company Limited	9.48	
	IT One Co., Ltd.	9.21	
	The Siam Cement Public Company Limited	6.38	
	SCI Eco Services Co., Ltd.	4.07	
	SCG Paper Public Company Limited	3.40	
	Thai Kraft Paper Industry Co., Ltd.	1.22	
	Siam Kraft Industry Co., Ltd.	1.04	
	SCI Plant Services Co., Ltd.	1.03	
	SCG Legal Counsel Limited	0.55	
	SCG Accounting Services Co., Ltd.	0.39	

Type of Transaction	Related Company	Amount (Million Baht)	Pricing Policy
	SCG Cement Co., Ltd.	0.33	Market price applied with third party transaction
	Thai British Security Printing Public Company Limited	0.22	
	Thai British Deposit Co., Ltd.	0.04	
	Thai Containers Group Co., Ltd.	0.02	
	SCG Network Management Co., Ltd.	0.01	
	Thai Paper Co., Ltd.	0.01	
	Total	56.18	

# ➔ Management Discussion and Analysis of Financial Status and Operating Results

## ➔ PAST OPERATING PERFORMANCE AND FINANCIAL STATUS

### Operating performance

In the year 2010, Thai Cane paper Public Company Limited recorded a net profit of 298 million baht, compared with the same period of last year, the net profit was 202 million Baht. This was equivalent to 96 million Baht or 47.5 percent increased. The main causes were 1) The revenue from sales increased by 28.2 percent, resulting from the average selling prices that increased by 23.6 percent, which was the factor that supported the recovery of the world economy, resulting in continuously expansion of manufacturing, export, investment and the consumption of private sector. 2) From adjusting the operating strategies by emphasizing on managing manufacturing cost and continually ameliorate the manufacturing efficiency. This clearly results in the increased slightly of the cost of sales. The cost of sales proportion explicitly increased from 88.4 percent of revenue from sales in the year 2009 to 88.5 percent of the revenue from sales in the year 2010. 3) The proportion in selling and administrative expenses decreased from 4.8 percent of revenue from sales for the year 2009 to 4.2 percent of revenue from sales for the year 2010. 4) Finance costs decreased to 0.6 percent of revenue from sales in year 2009 to 0.2 percent of revenue from sales in year 2010.

### Analysis of financial Status

#### Assets

In year 2010, the Company had total assets of 6,059 million Baht, compared to the corresponding period of last year, with the amount of 6,030 million Baht. This was equivalent to a increased of 29 million Baht or 0.5 percent decline, which were the results of:

- ➔ Cash and cash equivalent decreased by 19 million Baht.
- ➔ Trade accounts receivable increased by 126 million Baht. In 2010, the Company's average collection period decreased from 53 days to 50 days and all together sales were completely domestic, with zero export sales.
- ➔ Inventories increased by 69 million Baht. The Company still practices the policies of administering the inventory to maintain the raw material inventory and finished goods inventory so that it is corresponded with the market and competitive situation as well as to make it complement to raw material requirement plans for production.
- ➔ Property, plants and equipment decreased by 155 million Baht. In 2010, The Company utilized its operating cash flow to purchase and upgrade machines as well as equipments, amounted to 239 million Baht.
- ➔ Deferred tax assets decreased by 44 million Baht.

#### Liabilities and Shareholder's Equity

The Company's total liabilities for the year 2010 were amounted to 826 million Baht, compared to the corresponding period last year, with the total liabilities of 916 million Baht. This was equivalent to a decreased of 90 million Baht or 9.8 percent drop. The main causes for this decreased were:

- ➔ Short-term loans from financial institutions decreased 120 million Baht, which was the working capital for the business.

➡ Trade accounts payable increased 90 million Baht, due to the continually substantial highly increased in the prices of paper pulp and wastepaper for the year 2010.

➡ Other payables to the related parties increased 0.1 million Baht

➡ Current portion of long-term loans from financial institutions decreased 86 million Baht.

➡ Other current liabilities increased 17.7 million Baht.

➡ Deferred tax liabilities increased by 7.6 million Baht.

➡ Long-term loans from financial institutions already paid on June 30, 2010 as the due date for the long-term loans agreement.

In the year 2010, The Company held the shareholder's equity amounted to 5,233 million Baht, compared to the corresponding period last year, amounted to 5,113 million Baht, providing an increases of 120 million Baht or 2.3 percent. This was due to the year 2009, the Company paid Dividend amount of 179 Million Baht, reported net profit of 298 million Baht for the year 2010, and allocated as legal reserve 15 million Baht in accordance with the law.

#### **Statement of Income**

The Company had a net profit of 298 million Baht in year 2010, compared with the year 2009, the Company had net profit of 202 million Baht. The profit increased by 96 million Baht or increased by 47.5 percent. The primary factors were:

➡ Revenue from sales increased 1,049 million Baht, due to the increased in average selling price by 23.6 percent, while the sales volume increased by 3.7 percent, because of the world's economic recover.

➡ From adjusting operating strategies by emphasizing on managing manufacture cost and continually ameliorate the manufacturing efficiency, this resulted in the increased slightly of the cost of sales proportion in the year 2010, which had decreased to 88.5 percent of revenue from sales. While compared to the year 2009, the cost of sales was at 88.4 percent of revenue from sales.

➡ Selling and administrative expenses increased by 23 million Baht.

➡ Finance costs decreased by 14 million Baht, because the long-term loan from financial institutions already paid on June 30, 2010 as the term of agreement.

#### **Analysis of Significant Financial Ratios**

##### **Liquidity Ratio**

➡ the current ratio was 1.59 times, increasing a lot in comparison with the last year ratio which was 1.22 times. The quick ratio was 0.91 times, also rising in comparison with the previous year that was 0.70 times. Since the Company efficiently adopted the managing financial and working capital strategies by emphasizing to greatly reserve the cash flow policy in order to conform to decelerated economy and marketing competition in domestic and foreign countries.

➡ In 2010, the receivable turnover was 7.23 times, increasing gradually as compared to the last year ratios, which was 6.75 times and in 2010 the collection period decreased to 50 days from 53 days in 2009. Furthermore, in 2010 the inventory turnover of 21.62 times increase from the previous year which was 15.82 times. The inventory turnover period for 2010 fell to 17 days from 23 days in 2009. This was due to the Company's buyers' financing program, in order to reduce credit exposure and increase the working capital or cash flow. The Company also focused on the unending efficiency of finished goods and raw material inventory management that was effective and accordant with marketing conditions, competition and utilized material for continual production plan.

➡ In 2010, the payable turnover was 10.35 times, a sharp decline comparing to last year ratio which was 12.65 times. The payment period increased to 35 days, from 28 days in 2009, as those trade account payables expanded for payment to the Company.

#### **Profitability Ratios**

➡ The gross profit margin of the Company was 11.49 percent decreasing slightly from the previous year that was 11.56 percent. This was due to administrating in all production costs and maintaining the efficiency of machine. Therefore it caused the costs of sales increasing slightly from 88.51 percent of revenues to 88.44 percent of revenues from sales.

➡ The net profit margin of the Company rose in compare with last year, from 5.42 percent to 6.24 percent in 2010. The main cause was the decrease slightly of gross profit margin, including the decline of financial costs as well.

#### **Financial Policy Ratio**

➡ In 2010, the debt to equity ratio of the Company dropped from 0.18 times to 0.16 times comparing to last year. This resulted in paying long term loan already paid on June 30, 2010 and procured raw material to match the production plans.

➡ The interest coverage ratio of the Company increased from 30.66 times of last year to 64.59 times in 2010 because the Company owned incremental operating cash flows from operating activities. In order that in 2010 the Company had 613 million Baht from the net cash provided by operating activities to compare with the previous year that had 735 million Baht.

## ➔ Principles of Good Corporate Governance

### ➔ PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Thai Cane Paper Public Company Limited has operated under the supervision of the Board of Directors in line with the Company's Articles of Association, the Public Companies Act B.E. 2535, the Securities and Exchange Act B.E. 2535, the rules and regulations issued by The Stock Exchange of Thailand (SET) and The Office of the Securities and Exchange Commission (SEC) as well as related laws and sanctions. The Company realizes the importance of good corporate governance as prescribed by SET and pledges its commitment to operate in tune with the SET's Codes of Best Practices for Directors of Listed Companies.

The Company conducts business with responsibility and fairness, adheres to the ethical framework, and constantly improves appropriately with changes in the economy and society, while balancing the sustainable benefits of all stakeholders. Also, the Company has great emphasis on the principles of corporate governance, which is of great value to the organization, as it operates in a responsible and fair manner for all of its stakeholders. To achieve this objective, the structure, roles, responsibilities, independence, and performance standards of the Board of Directors should be clearly defined, with full disclosure of information with complete transparency, and a strict audit and cautious audit as well as risk management system to ensure credibility and to increase shareholders' value. These practices are straightforwardly accessible to all stakeholders, and are contained in the Company's annual report, Form 56-1, company website ([www.thaicane.com](http://www.thaicane.com)) and the SET website.

In governing and monitoring the Company's overall business activities, the Board of Directors assigns and authorizes the management executives to oversee and monitor the Company's operations and performance. The management executives meet and prepare reports, at least on a monthly basis. The management executives are under consistent supervision of the Executive Committee and the Sub-committees to ensure the Company's operations are followed up closely and proper corrective actions are taken to improve the Company's performance.

### ➔ GUIDELINES OF CORPORATE GOVERNANCE

#### The Rights of Shareholders

##### 1. Right and Equality of Shareholders

The Company ensures that shareholders are entitled to all basic rights at acceptable and trusted standards. The rights of shareholders include all basic right: the rights as an investor in the Stock Exchange of Thailand and the rights as an owner of the Company, for instance, the rights to buy new shares, sell or transfer their own shares, the rights to receive profit sharing in the form of dividends from the Company, the rights to attend the shareholders' meetings, the right to express opinions freely, the right to make decision on significant affairs of the Company e.g. the domination of directors, approval of crucial transactions influencing direction of the Company, amendment of Articles of Association and regulations of the Company and so on. However, shareholders have the right to vote at meeting according to the number of shares owned by each shareholder, whereby one share is for one vote and no particular share allows them privilege to limit the rights of other shareholders.



The Company respects the rights of shareholders equally and provides for these rights to ensure transparency and shareholders access to information. The Company fully discloses the operational structure. In addition, the Company institutes protecting guideline against the faulty and unfair usages of internal information by prohibiting the Board of Directors, management executives, and employees working with significant information (including their spouses and minor children) who have knowledge of information are prohibited to trade Company's shares for the specified period (Blackout Period).

The Company respects the rights of all shareholders equally which ensure they are well preserved. Apart from the above mentioned rights of shareholders, the Company has carried out the following tasks to encourage and facilitate shareholders in the exercising through the following measures:

1) The Company fully discloses its operational structure to ensure transparency and allows shareholders access to information.

2) The Company shall provide essential, clear and up-to-date information for shareholders regarding the Company's business. Even though some information is not required to be disclosed Law, if the Company considers that it is of significance to the shareholders, the Company will notify the shareholders through SET website.

3) During the shareholders' meeting, the Company allows all attendants who arrive after the start of the meeting to vote on agenda items under consideration at that time, or which have not been voted on yet. Besides, the late comers will still be counted towards the meeting's quorum, unless decided otherwise by the meeting.

4) The Board of Directors has assigned responsibility to the independent directors (5 directors) in the area of minority shareholders interests. The shareholders can appoint an independent director as their proxy during the shareholders' meeting.

5) The Company operates strictly in accordance within the Laws, principles, and regulations of the SEC, the SET, and other government entities, conscientiously monitoring any changes to ensure the Company is up-to-date, thereby, instilling confidence in shareholders that the Company is operating transparently and forthrightly.

6) To ensure that all stakeholders receive fair and equitable treatment, with no preference to any group of stakeholders, the Company has set the definitions of "Independent Director" by considering the qualifications of the independent director according to those of the Office of Securities and Exchange Commission in order to give stakeholders high confidence in the Company's operations.

**Remark**The Company considers qualifications of independent director in accordance with the Notification of the Capital Market Supervisory Board as follows:

(1) At least one third of the board size shall be independent directors, and in any cases, the number shall not be fewer than three;

(2) Each independent director shall comply with the following rules:

(a) holding shares not exceeding one per cent of the total number of shares with voting rights of the company, its parent company, subsidiary company, associate company, major shareholder or controlling person, including shares held by related persons of such independent director;

(b) neither being nor used to be an executive director, employee, staff, advisor who receives salary, or controlling person of the company, its parent company, subsidiary company, associate company, same-level subsidiary company, major shareholder or controlling person, unless the foregoing status has ended not less than two years. Such prohibited characteristic shall not include the case where the independent director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of the company;

(c) not being a person related by blood or legal registration as father, mother, spouse, sibling, and child, including spouse of child, executive, major shareholder, controlling person, or person to be nominated as executive or controlling person of the company or its subsidiary company;

(d) neither having nor used to have a business relationship with the company, its parent company, subsidiary company, associate company, major shareholder or controlling person, in the manner which may interfere with his independent judgement, and neither being nor used to be a significant shareholder or controlling person of any person having a business relationship with the company, its parent company, subsidiary company, associate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years.

The term 'business relationship' under the first paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, and any other similar actions, which result in the company or his counterparty being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the company or twenty million baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on connected transactions *mutatis mutandis*. The consideration of such indebtedness shall include indebtedness occurred during the period of one year prior to the date on which the business relationship with the person commences;

(e) neither being nor used to be an auditor of the company, its parent company, subsidiary company, associate company, major shareholder or controlling person, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the company, its parent company, subsidiary company, associate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years.

(f) neither being nor used to be a provider of any professional services including those as legal advisor or financial advisor who receives service fees exceeding two million baht per year from the company, its parent company, subsidiary company, associate company, major shareholder or controlling person, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than two years.

(g) not being a director appointed as representative of directors of the company, major shareholder or shareholder who is related to major shareholder;

(h) not undertaking any business in the same nature and in competition to the business of the company or its subsidiary company or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holding shares exceeding one per cent of the total number of shares with voting rights of other company which undertakes business in the same nature and in competition to the business of the company or its subsidiary company;

(i) not having any other characteristics which cause the inability to express independent opinions with regard to the company's business operations.

After being appointed as independent director with the qualifications under (a) to (i) of the first paragraph, the independent director may be assigned by the board of directors to take part in the business decision of the company, its parent company, subsidiary company, associate company, same-level subsidiary company, major shareholder or controlling person, provided that such decision shall be in the form of collective decision.

In 2010, besides the above-named rights of the shareholders, the Company also proceeded to carry out the necessary work, which encouraged shareholders to exercise their rights as follows:

1. Prior to a meeting, each shareholder will receive significant and sufficient detailed information concerning the date and the agenda. This will be posted on the Company's website not less than 30 days prior to sending out the documents. The shareholders' rights to attend the meeting and the rights to vote on resolutions will be unambiguously mentioned in the notice to shareholders.

2. Shareholders who are unable to attend the meeting are entitled to appoint a representative e.g. an independent director or a person, to act as their proxy, using any proxy forms sent to them along with the notice to call the meeting. The Company has prepared the proxy form in compliance with the specifications defined by the Ministry of Commerce in which the shareholders can exercise their votes as wished. These forms can also be downloaded from the Company's website. Moreover, shareholders who arrive after the meeting has commenced are able to vote on the agenda item being considered provided that a resolution is not yet made. They can constitute part of the quorum starting from the agenda item that they are in attendance and exercise their voting rights unless the meeting states otherwise.

3. Prior to the meeting, shareholders are allowed to submit their opinions, suggestions, and questions via the Company's website.

4. For shareholders' convenience, on the date of the meeting, the Company provides an electronic system for registration to speed up the process. The barcode will show each shareholder's reference number which is included in the proxy form. In addition, for every vote, the Company will collect the ballot paper from the shareholder in order to calculate the result of the vote. After the meeting, the shareholders are entitled to verify.

5. In the Annual General Meeting of the Shareholders, one third of the directors will finish their terms; thus, the election will take place on the day of the meeting. For the election of directors, the Board informs the shareholders that in cases where the number of nominated persons does not exceed the number of directors required for that election, all of them shall be elected as directors. However, if the number of candidates

exceeds the number of directors required, each candidate is then elected individually. The shareholders are entitled to propose the name an individual for directorship of the Company.

6. At the meeting, the shareholders are allowed to freely express their opinions, give suggestions or raise questions on any agenda before calling for a vote on a resolution, providing that sufficient detailed information is given to the shareholders. Should shareholders have questions on any agenda issues, specialists in the specific fields are available to answer those questions under the responsibility of the Board.

7. For any issues on the agenda at the shareholders' meeting, the shareholders can call for a secret ballot if one of them makes such request with the approval of five other shareholders. The shareholders' meeting shall resolve to approve the vote casting by secret ballots with a majority of votes.

## **2. Shareholders' Meeting**

According to the Company's Articles of Association, Article 34 stipulating that the shareholders' meeting shall be held at least once annually by the Company. Such meeting shall be called the "Annual General Meeting" which shall be held within four months of the last day of the Company's fiscal year. All other shareholders' meetings shall be called "Extraordinary General Meeting of Shareholders".

The Board of Directors may summon extraordinary general meeting(s) of shareholders whenever the Board thinks fit, or shareholders holding shares amounting to not less than one-fifth of the total number of share sold, or shareholders numbering no less than 25 persons holding shares amounting to not less than one-tenth of the total number of shares sold may submit their names in a request form directing the Board of Directors to call an extraordinary general meeting of shareholders at any time, but the reasons and purposes for calling such meeting shall be clearly stated in such request. In this case, the meeting organized by the Board of Directors must be made within one month from the receipt of that notice from the shareholders.

In 2010, the Company summoned one Shareholders' Meeting i.e. the Annual General Meeting of Shareholders for the Year 2010. The Company sent the notice to call the meeting at least 14 days prior to the meeting date indicating place, date, time, agenda and matters to be proposed to the meeting, together with minutes of the previous meeting plus sufficient details. The agenda clearly notified the matter of each issue i.e. for the meeting's acknowledgement, for approval or for consideration. Any other comments related to the agendas (if any) also were sent to the shareholders not less than seven days before the meeting date. Besides, the Company announced the notice to call the shareholders' meeting in the newspaper for three consecutive days and at least three days before the meeting date as stipulated in the Article 35 of the Company's Articles of Association. Moreover, the Company correctly and completely recorded the Meeting's minutes for shareholders' future verification.

The Shareholders' Meeting Chairman will carry out the meeting according to the agenda provided in the meeting notice and shareholders will be given the opportunity to freely express their opinions and ask any questions under each agenda item. After all agenda items have been fully addressed, shareholders representing not less than one-third of all outstanding shares can propose other matters for discussion. Five or more

shareholders also can jointly propose a resolution for voting by secret ballot. Registration for the meeting will be opened just about two hours prior to the commencement of the meeting.

After the meeting, the Company will publish accurate, detailed, and complete minutes of the meeting which are reviewed by the Company's Chairman, and submitted to SET and the Ministry of Commerce within 14 days after the meeting.

On top, shareholders have rights to protect their interests by attending shareholders' meeting where they can express their opinions, offer suggestions, vote on resolutions, and take part in making prominent changes together with electing member of the Boards. Shareholders, furthermore, have the rights to receive correct, complete, transparency, full disclosed information at which those are auditable.

### **3. Access to Information Related to Shareholder's Meeting**

The Company sends the meeting notice with the agenda and related documents, including the following:

- 1) Ministry of Commerce's Proxy Forms with detailed instructions for assigning a proxy. Form B includes a name list of the Company's independent directors whom a shareholder can appoint as a representative in shareholders' meeting.
- 2) Documents relating to the various agenda items to facilitate shareholders with sufficient information for making decision, e.g. minutes of the shareholders' meeting, or in the case of the agenda item proposing candidates for appointment as directors to the Company, biographical information, including name, age, current position, education, work experience, other directorships, and so forth.
- 3) Opinions, comments, and explanations by the Board for each agenda item.
- 4) The Company's Articles of Association covering shareholders' rights and details about documents to prepare with instructions and stating the procedures to gain admittance to the shareholders' meeting.
- 5) A map to the meeting's venue.

The Company sends the notice to call the shareholders' meeting including related documents to shareholders no less than 14 days prior to the meeting and announces the notice to call the meeting in the newspaper for three consecutive days and at least three days prior the meeting date as stipulated in the Article 35 of the Company's Articles of Association.

### **➡ THE EQUITABLE TREATMENT OF SHAREHOLDERS**

Providing the equitable treatment to every individual shareholder, every group of shareholders, major or minor shareholders, institutions or foreign investors is the Company's essence consideration of good corporate governance. The Company realizes its significance and makes every effort to find tools to enhance equality, particularly, in minor shareholders e.g. fixing the rights to vote at the meeting according to the number of shares held by each shareholder and allowing one share for one vote. Moreover, for shareholders' convenience, the Company likewise offers an electronic system for registration and attendance record of the participants, the details of which can be obtained and verified after the shareholders' meeting.

## 1. Conflict of Interest

The Company strictly follows SET's and SEC's conflict of interest regulations. The Board of Directors pays important and careful attention to potential conflicts of interest in a fair and transparent way. If there is a related party transaction or an issue arises, it gets full attention and full disclosure in a timely manner to protect the interests of the shareholders and so the Company.

The Company's shareholder structure is clearly published in the annual report, as are the Board member common share holdings in the Company and affiliated company.

There is a clear separation of duties and responsibilities of the Board, the management executives, and shareholders, thereby, ensuring no overlapping of their duties and responsibilities. The directors or management executives who may have interests in any agenda under consideration must not attend the meeting nor vote on such agenda. This is to ensure that the Board and management executives make decision in a fair manner for the utmost benefits of shareholders.

## 2. Supervision on the Usage of Internal Information

The Company imposes a blackout period before financial information is released during which directors, management executives, and employees (including spouses and minor children) are prohibited from trading Company shares for period of two weeks prior to the releases of quarterly and annual financial statements and information, and for 24 hours after the release of such information. This is also included any information that have impacts on share price. By so doing, this is intended not only to preserve shareholders' right but also to protect any conflict of interests.

## ➡ THE ROLES OF STAKEHOLDERS IN CORPORATE GOVERNANCE

### 1. Stakeholders' Rights

The Company conducts business with all stakeholders in a responsible way by ensuring that all parties benefit equitably. The Company's guideline to fairly and equitably deal with the shareholders, employees, customers, and business associates to follow:

- ➡ **Shareholders :** Respect the basic rights of shareholders and treat all equally, such as the right to request a determination of the number of shares, the right to receive share certificates, the right to attend shareholders' meeting and vote; and the right to freely express opinions during shareholders' meetings.
- ➡ **Customer :** Dedicate to provide customers with utmost benefit in terms of price, quality, and services as well as the Company is determined to develop and maintain sustainable relationships with customers. Moreover, the technical support has been set for providing product consultancy, solving problems, and receiving complaints to assure highest customer satisfaction.
- ➡ **Business Partners :** Operate within a competitive context by strictly honoring promises and commitments to business partners including quality products and on-time delivery.

- ➔ **Commercial Competitors :** Operate within a competitive context by being fair and within the Law, as attested by not a single dispute arising during 2009.
- ➔ **Creditors :** Perform according to the terms of loans and respect obligations toward creditors.
- ➔ **Employees :** Continuously develop personnel by providing various technical and professional training curriculums. Simultaneously, the Company truly believes that employees are the most valuable assets and is determined to ensure that every employee is proud and confident in the organization.
- ➔ **Society :** The Company has constantly provided supports to communities over time, especially those communities nearby the paper mills. Continuous supports to communities include education and public donations.
- ➔ **Environment :** Emphasize on conserving the environment through the 3Rs concept i.e. Reuse, Reduce/Recycle, and Replenish.

#### ➔ DISCLOSURE AND TRANSPARENCY

The Company realizes the importance of information disclosure as it greatly affects the decision making of investors and stakeholders. It is, therefore, necessary to control and define measures concerning the legal disclosure of information, both financial and non-financial. Information disclosed via the SET Community Portal shall be complete, sufficient, reliable and up-to-date, written both in Thai and English. In making detailed information known, the Company assigns the Managing Director or an appointed representative to disclose information.

The Company is committed to abide by the Laws, regulations and obligations mandated by the Office of Securities and Exchange Commission (SEC), the Stock Exchange of Thailand (SET) and other related government sectors. Regular amendment takes place to ensure that the law, regulations and obligations the Company abided by are up-to-date and to guarantee transparency in conducting business, for example:

1. Reveal accurate, complete and timely financial information and non-financial information.
2. Prepare the report of the Board's responsibility for financial statements and present it along with the Audit Committee report in an annual report.
3. Require the Company's directors and executives to disclose their interests in connection to those of the Company and the persons involved in the Company's interests.
4. Disclose the performance and attendance record of each member of the committee.
5. Reveal detailed information on the operation of the Company.
6. Reveal information on remuneration each director receives as a member of the committee.
7. Disclose the policy on remuneration for the directors, including forms, types and amount of remuneration for each member of the committees.

## **1. Remuneration for Director and Management**

The directors' remuneration will be approved by the shareholders in the ordinary general shareholder meeting. Remuneration for management executives is set basing on their responsibilities, performance, and the operational results of the Company.

Details about board member remuneration in the forms of director honorariums and meeting fees, as approved by shareholders, and remuneration for the sub-committees are reported individually on page 77 of the annual report.

## **2. Financial Report and Auditing**

The Company has prepared the summary of financial reports and operating results of the Company including the annual report and financial statements to be released to the investors and shareholders as stipulated by law. Such financial reports have to be reviewed by the Board of Directors and approved by the Audit Committee.

## **➡ THE RESPONSIBILITIES OF THE BOARD**

### **1. Leadership and Vision**

The Company's Board of Directors is made up of individuals recognized for their knowledge and capabilities, and has a deep understanding towards their inherent roles and responsibilities. The Board plays the vital role in overseeing, auditing, and assessing the Company's performance to ensure the greatest possible value to shareholders.

### **2. Structure of the Board of Directors**

The Board of Directors comprises nationally accepted knowledgeable and proficient persons who are responsible for drawing up corporate policy and collaborating with the top executives in making the operating plans both short term and long term plans. The Board shall have the responsibilities to frame financial policy, risk management policy and so the organizational overview. The Board shall play a vital role in overseeing, monitoring, and assessing the performance of the Company and management executives on an independent basis.

The Company Board has 11 members, only one of whom is from management, i.e. Managing Director. Five members are directors who relate to the major shareholders and the remaining five are independent directors who have qualifications in accordance to those of the Securities and Exchange Commission. Besides, all eleven directors must have integrity, knowledge, ability and experience in business which is beneficial to the Company.

The Company proposes shareholders to consider and elect the Company's directors. Those proposing nominees are screened and recommended by the Nomination Committee who selects nominees with solid credentials who have diverse expertise, leadership qualities, a board perspective and vision, integrity, ethics, a transparent record and willing to freely express opinion. In addition, to promote the effectiveness of members, the Board defines director roles and responsibility clearly.



Likewise, the Board of Directors has further established the following committees namely: Audit Committee, Nomination Committee, Remuneration Committee and Executive Committee which are all responsible to their specific areas and all shall report directly to the Board for its consideration or acknowledgement.

The Audit Committee consists of three of the Company's independent directors, one of which has knowledge, understanding and experience in accounting and finance. Their duties include assuring whether the operation has been carried out in accordance with the Company's regulations. In addition, they are committed to promoting the development of the financial and accounting report system to meet international standards and to ensure that the Company has an appropriate, up-to-date and efficient internal control system, internal audit system, and risk management system.

The Audit Committee acts and expresses opinion freely, with the Company's Internal Audit Office acting as an operating unit directly reporting to the Audit Committee. The Audit Committee also works and consults regularly with external auditors. The Audit Committee must set up meeting with the Company's external auditors, which exclude the management executive at least one a year. In addition, the Audit Committee may seek external consultations and professional advice from an independent advisor or specialist, as deemed appropriate, at the Company's expenses.

The Nomination Committee includes three of the Company directors while the Chairman of the Nomination Committee is an independent director. The Committee is responsible for dominating qualified persons as directors to replace those who are retired by rotation, or whatever the case maybe.

The Remuneration Committee comprises three of the Company's directors of which the Chairman is an independent director. The Committee is responsible for considering and suggesting the remuneration of the Board of Directors, advisors and the Company's top executive.

Nonetheless, each committee has the rights and duties as specified by each committee's regulations. An evaluation of performance and a revision of the operation results of committees are conducted annually, at least once a year. The Board of Directors, moreover, is entitled to form other committees suitable for changing situations.

### **3. Separation of the Roles and Responsibilities of the Board of Directors and Management Executives**

The Company has made the unambiguous separation of the roles and responsibilities of the Board of Directors and the management executives. The Board shall be responsible for establishing the policies and overseeing the management's implementation of those policies. The management executives, on the other hand, shall be responsible for implementing the policies formulated by the Board, and ensuring that these are carried out as planned. As such, the Chairman and Managing Director shall not be the same person, providing that both are nominated and elected by the Board.

### **4. Board of Directors Meetings**

The Company's Board of Directors considers member board meeting attendance extremely important to ensure that members are properly informed and take part in decision making concerning Company's business

operation. There are at least four regular meetings per year with a specific agenda provided ahead of time for each. Special meetings are convened to consider urgency or important matters.

In 2010, four Board meetings were held, providing the agenda and relevant documents well ahead of time to allow sufficient time for proper review. Consideration of each agenda item took into account the benefits of Company and stakeholders. When considering each item, Board members were given the opportunity to express their opinions with the Chairman allowing an appropriate amount of time for consideration. Decisions are based on a majority vote of members attending with each member having one vote, except when a member is excluded from voting because of a personal stake or conflict in the matter under consideration. In case of tie, the Chairman has a casting vote.

The Board attaches significance to managing conflict of interests of the concerned parties with prudence, fairness, and transparency. The information shall also be fully disclosed. Any director having interests in the matter under consideration must not be involved in the decisions and approval process.

After the meeting, the Secretary to the Board of Directors is responsible for preparing the minutes, and sending the Chairman's certified copies to the directors. The minutes must then be approved at the following Board meeting, where directors may make comments, corrections, or additions to ensure the greatest accuracy and completeness.

After approval, the meeting minutes of the Board of Directors are stored securely with all related documents to facilitate data references and searches.

## **5. The Secretary of the Board of Directors and Corporate Secretary**

### **The Secretary to the Board**

The Board appointed Ms. Pornpen Namwong as the Secretary to the Board of Directors responsible for providing advice to the Board regarding the performance of duties in compliance with the law, preparing the minutes of the Board's meetings and attending every Board's meeting. The appointed Secretary to the Board is deemed by the Board to be knowledgeable and experienced, allowing him to provide advice to the Board in following laws, rules, and regulations.

### **The Corporate Secretary**

The Board resolved to appoint Ms. Pornpen Namwong as the Corporate Secretary responsible for organizing the meetings of the Board, committees, and shareholders. The Corporate Secretary is also in charge with preparing the minutes of the Board's meetings, the minutes of the shareholders' meetings, and filing documents as stipulated by law. The appointed Corporate Secretary is deemed by the Board to be appropriate as he is knowledgeable in managing secretarial work.

## **6. The Specific Committee**

The Company's Board has also established committees with specific areas of responsibility. Each committee has a clearly-defined set of objectives, scope of work, and specific responsibilities and reports to the Board within prescribed period. For the moment, there are four committees. They are the Audit Committee, the

Nomination Committee, the Remuneration Committee, and the Executive Committee. The Board may establish other committee for specific purposes as necessary and as appropriate to circumstances.

## **7. Director Capabilities Enhancement**

The Board of Directors reflects positively on the attendance of professional courses in order to enhance his/her knowledge and capabilities. All directors attended courses organized by independent organizations such as the Thai Institute of Directors Association (IOD). Eventually, the SEC requires directors of all listed companies to complete one of the following IOD training courses i.e. the Directors Certification Program (DCP), Director Accreditation Program (DAP), and the Audit Committee Program (ACP).

## **➡ INTERNAL CONTROLS AND AUDIT**

### **1. Internal Controls**

The Company defines and develops an efficient and effective internal controls system according to international standards in terms of internal environment, risk assessment, control practices and continuous monitoring and assessment. The organizational structure is shaped to suit a business plan, with clear responsibility outlines, systematic risk management, a good corporate governance system, a procedure manual suitable for the business, an effective and up-to-date computer system as well as departmental control self assessment. The Company frequently updates these matters in keeping up with the changing business environment.

The Company's Board also attaches importance to internal controls and internal audit. The organizational structure is created to suit a business plan, with clear responsibility outlines, good corporate governance, and systematic risk management. Regulations, guidelines, a procedure manual suitable for the business, and an efficient and up-to-date computer system are provided. Moreover, the Company encourages employees to constantly follow the internal controls. These must be regularly updated to keep up with the changing business environment.

Appreciating the essence of internal controls, the Board of Directors therefore has established the following guidelines:

- ➡ Instill a corporate structure by establishing a structure with explicit divisional duties and responsibilities, delegate authority for independent supervision, select high-qualified people, inspire responsiveness of internal controls, and encourage people to continually improve their performance.

- ➡ Establish stated roles and publishing work manuals that include proper practices, rules, regulations, authority covering scope of duty and responsibility by function to foster delegation of authority and to enhance productivity. The Company ensures a consistent standard throughout the organization, whereas improving risk management and encouraging self-assessment systematically.

- ➡ Continuously monitor the performance of the internal control system whereas the Audit Committee receives regular reports through the internal audit to help instill confidence in the internal controls system.

Additionally, the Company's Whistleblower Policy states that the employees shall participate and be given fair protection in cases where they report information regarding corruption or conduct against law and the Company's regulations. The Policy allows every employee and all related parties to fully understand the circumstances and act correctly. Also, the development plan of the Whistleblower Policy is carried out to support such information reports which enable the Company to obtain information rapidly, resulting in swift yet effective problem solving and the protection of the Company as well as being fair to all concerned parties.

## **2. Internal Audit**

The Audit Committee oversees the Company's internal audit to ensure the independence, fair, and in compliance with business ethics by evaluating sufficiency of the internal control system as well as evaluating the risks associated with activities in the Company and other work systems that have material effects on the business operations.

An internal audit is the independent task of monitoring and assessing operations within the organization. The purpose of the internal audit is to allow employees at every level to efficiently perform their job and also to effectively promote internal controls within reasonable expenditure. The emphasis has been placed on creating proactive audit policies under international standards. It is of concern to the Company that an up-to-date auditing system be developed in keeping up with changing economic conditions through the creation of a proactive system resulting in concrete benefits to the organization.

The Audit Committee ensures the conduct of internal audit program on a quarterly basis, to ensure that the internal control plans are followed. The internal control guidelines are followed through applying the policy of preventive audit. Other responsibility includes ensuring the accuracy of the financial reports including the sufficient disclosure and transparency of information to comply with the corporate governance guidelines. Moreover, control self assessment (CSA) is a preventive method used by operation units to achieve their control targets and for continuous improvement in their business practices. It promotes greater responsibility in managers/supervisors for internal controls by providing information on a timely basis that they can use to identify and solve problems more efficiently, and to make improvements in work practices. Eventually, the Company applies the electronics-Control Self Assessment (e-CSA) which is a tool enabling supervisors to evaluate internal controls to ensure that the performance of major duties are carried out in due time, allowing timely analysis of the causes of problems during such performance and so defining planning strategies for effective monitoring and solution such as e-CSA - Procurement, e-CSA - Accounting, e-CSA - Inventory Management, e-CSA - Sales & Marketing, and e-CSA - Credit Management.

## **➡ RISK MANAGEMENT**

Risk management process starts with identify significant risks, assess their likelihood and impact, prioritize risks, and analyze the management of such risks, using risk map and control map as tools. Measures must be taken to manage risks that are not acceptable, keeping them to an acceptable level.

The Audit Committee oversees the Company to establish the risk prevention and management system and set standard to prevent and manage risk systematically. Each operating unit will have to follow up, analyze, specify, and assess each functional risk and reports to the Audit Committee quarterly on the status of functional risk management.

Additionally, the Audit Committee in cooperation with the management executives have set criteria in considering warning signals concerning risk factors by using Risk Indicators and Risk Tolerance as additional criteria to risk management regarding financial information. Moreover, the criteria are employed to monitor major risks in order to specify measures for effective and prompt risk management.

#### ➡ **ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF FRAUD**

Frauds are considered one of significant risks of business operation that can be minimized with effective controlling measures. The Company realizes the risk of fraud and therefore, has set out the following measures.

##### **1. Preventive Measure**

The Company adheres to the concept of prevention and has set out various preventive measures. These include designing an organizational structure that is appropriate for business operation and control, having code of conducts and corporate governance principles, putting in place an effective internal control, implementing control self-assessment (CSA) of operations, determining rules, regulations, effective performance assessment, and controlling through the budgeting system, effective risk assessment and management, and power of attorney system to employees that is compatible to their roles and responsibilities. In addition, the management has implemented the Whistleblower Policy so that employees can partake in minimizing any act of violation within the organization.

##### **2. Auditing Process**

Each supervisor of each level has responsibility to prevent and investigate frauds and errors in the operation using the above-mentioned tools. Besides, the internal audit office, who works independently from the management, will monitor compliance with rules and regulations, assess the effectiveness of the internal control, assess fraud risks, monitor risk signals which may lead to frauds and report any fraudulence case to the management, which will further assign an investigation committee to see to the matter.

##### **3. Equitable Treatment**

Fraudulence investigation regulations stipulate that an investigation committee be assigned to investigate the facts of the case. In order to ensure equitable treatment, the committee should comprise of members from various departments including representative from Human Resources Department. If fraud has been proven, this committee will submit to the Managing Director and Human Resources Committee for imposing the penalty in accordance to the employees' rules and regulations. In addition, fair treatment will be accorded to the whistleblower by providing appropriate protection measures.

## ➡ PERFORMANCE APPRAISAL AND KNOWLEDGE ENHANCEMENT

To enhance capabilities of the Board of Directors' members and sub-committee's members, the Company requires continuous annual assessment of performance, involving two kinds of assessment, self-assessment by each individual director and assessment of the entire Board as a whole. Moreover, the performance of Managing Director shall be assessed by the Board.

The Company has prepared a booklet for members of the Board, which includes the updated laws, rules and regulations relevant to the directors. The booklet is distributed to all current directors with the intention to enable all directors to understand the scope of their roles and responsibilities, the principles and guidelines on the best practices.

Furthermore, the Company encourages all members of the Board and management executives to attend various courses and seminars beneficial to their responsibilities, allowing them to constantly meet and exchange opinions with members of the Board and top executive of different organizations. Some of those courses are organized by the Company and some are by the governmental agencies or by the independent organizations such as Thai Institute of Directors Association. Eventually, the office of the SEC requires the directors of all listed companies to complete at least one of the following training courses: Directors Certification Program (DCP), Director Accreditation Program (DAP), or Audit Committee Program (ACP). Experiences gained from these courses are valuable for the Company's development and growth.

To support the Board's responsibilities, the Company has appointed the Secretary to the Board and Corporate Secretary to work in coordinate with the Board and management executives. In addition, the Secretary to the Board and Corporate Secretary is responsible for overseeing legal matters, relevant standard practices and activities of the Board to ensure the implementation of the Board's resolution.

## ➡ ELECTION OF DIRECTORS AND EXECUTIVES AND THE RIGHT OF SHAREHOLDERS

The directors of the Company shall be appointed and elected through a screening process of the Nomination Committee. The Nomination Committee shall propose new nominating candidates to the Board to fill positions made vacant by directors who complete their terms. The Committee then makes recommendations to the Board for ultimate shareholders' approval. Candidates come from a diversity of backgrounds and experience. Personal qualities sought include leadership, vision, ethical integrity, clean work records, and independence of opinion.

Furthermore, the Nomination Committee shall consider the personal qualities of the candidates for the committees' members as follows:

- ➡ Integrity and accountability
- ➡ Informed judgment
- ➡ Maturity and stability, being a good listener and capable of expressing opinion differently and independently

➔ Commitment to work principles and professionalism including special expertise and certain knowledge required for the Board are also taken into consideration so that the Board can formulate strategies and policies and oversee implementation of the strategies effectively.

However, the appointments of directors are to be approved by the shareholders' meeting on the basis of the rules and procedures as stated in Article 15 of the Company's Articles of Association as follows:

1. Each shareholder shall have one vote per share.
2. Each shareholder may exercise all its votes under item 1. to elect one or more persons as director(s) but may not split those votes and allocate them to any one candidate.
3. Candidates shall be ranked in descending order of votes received and shall be appointed as directors in that order until all director positions are filled. If there is a tie of votes cast for candidates in descending order, which tie would otherwise cause an excess of the total number of directors, the Chairman shall have a casting vote.

The Company believes that the competence and business expertise of a director do not depend on age or the numbers of directorship held. Therefore, the Company fixes neither the required age, nor the numbers of Board each candidate can serve. As long as the director is capable, able to be dedicated to the Company, able to draw up policy and able to give advice on solving the problems related to the business operations based on the standards aspired by the Company, one is eligible for reelection. Regarding terms of office, the Company believes that the shareholders shall have the right to select and nominate a candidate for the directorship to act on their behalf to lay down policy and oversee the Company's business operations.

#### ➔ **BALANCE OF POWER FOR NON-EXECUTIVE DIRECTOR**

To instill confidence and promote efficient decision making, the Company has only one director who is from management i.e. Managing Director. Five members are independent directors and the Company considered the qualifications of the independent director according to those of The Office of the Securities and Exchange Commission.

In selecting Board candidates for shareholders to elect, the Company chooses according to basis qualifications, diversity of expertise, leadership, wide and long-term vision, integrity, ethics, a transparent, unblemished work history, and independence of thought. In addition, the Company defines the role and responsibilities clearly to ensure efficient performance.

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