



# รายงานประจำปี

บริษัท บ้านร็อคการ์ดเอน จำกัด(มหาชน)



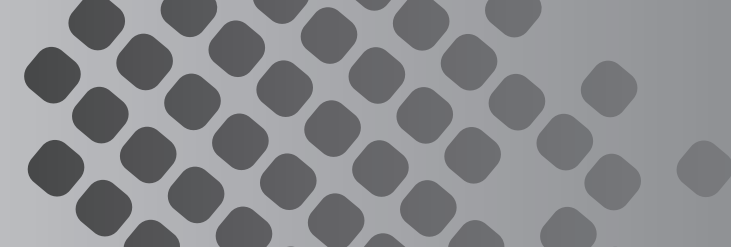
2013



## ANNUAL REPORT



**BAAN ROCK GARDEN**  
PUBLIC COMPANY LIMITED



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## General Information

|                     |   |                                                                                                             |
|---------------------|---|-------------------------------------------------------------------------------------------------------------|
| Company Name        | : | Baan Rock Garden Public Company Limited<br>("BROCK" or "The Company")                                       |
| Type of Business    | : | Real estate development, particularly townhouses, single detached houses and commercial buildings for sales |
| Head Office         | : | 601 Soi Ramkhamhaeng 39, Pracha-utit Rd. Wang Thonglang, Wang Thonglang, Bangkok 10310                      |
| Registration Number | : | PCL – 0107548000200                                                                                         |
| Homepage            | : | <a href="http://www.rockgarden.co.th">http://www.rockgarden.co.th</a>                                       |
| Telephone           | : | 662-934-7000                                                                                                |
| Fax                 | : | 662-934-7186                                                                                                |

Other References

|                            |   |                                                                                                                                                                                                      |
|----------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Securities Underwriter | : | Thailand Securities Depository Company Limited<br>2nd Floor, Capital Marketing Academy Building,<br>2/7 Moo 4 (North Park Project) Vibhavadee-Rangsit Rd,<br>Tung Song Hong , Laksi , Bangkok 10210  |
| Homepage                   | : | <a href="http://www.tsd.co.th">http://www.tsd.co.th</a>                                                                                                                                              |
| Telephone                  | : | 662-596-9000                                                                                                                                                                                         |
| Fax                        | : | 662-832-4994-5                                                                                                                                                                                       |
| The Auditor                | : | Mr. Suchart Panichcharueng<br>Certified Public Accountant (Thailand) No. 4475<br>SP Audit Company Limited<br>503/21 12th Floor, K.S.L. Tower. Sriyudhya Road,<br>Ratchathewi District, Bangkok 10400 |
| Telephone                  | : | 662-642-6172-4                                                                                                                                                                                       |
| Fax                        | : | 622-642-6253                                                                                                                                                                                         |

## Message from the Board of Directors

Although there is a slowdown in the world economy in 2013, there are signs of recovery from US, EU and Asian economies. US economy shows that the recovery is picking up due to their Quantitative Easing (QE) which drives domestic demand in consumption and housing including the better unemployment rate. Moreover, the EU economy also shows sign of recovery with sign of financial stability and the European Central Bank tends to continue to conduct easing monetary policy. Asian economy is doing better with the world economy.

In 2013 Thai economy does not do much different from the world economy. With a slowdown in Thai economy, this is due to a slowdown in private consumption as after the big flood, together with the economic stimulus package provided by government; people have already made a lot of expenses. Moreover, people are worried about higher living expenses and raising household debts. With the economic and political situations, some investors have delayed their investments. The exports have been slowly recovered and some industries have been affected from the lack of raw materials and limitation of production technology where they could not design and produce products according to their customer needs and a changing world demands. This year the government does not play an active role in boosting the economy like last year as government spending is still below the budget. As for tourism, with an increasing rate of tourist this has made tourism a main engine of Thai economy.

The housing market in 2013 has been growing in a decreasing rate as the investors have delayed their investments and consumers also delayed their house purchase. With several factors affecting the housing market, including a slowdown of economy, higher construction costs, raising living expense and household debts, also political instability, these have affected the purchasing power and debt servicing of the customers.

With the abovementioned factors, including economy slowdown, impact of higher living expenses and high competition in markets, these have affected the performance of the company, causing its performance to decrease from last year performance. The company still has their commitment to make a change on their marketing and sales strategies, developing their products to meet their customers' needs, maintaining their profits to be roughly the same as last year profits and improving capabilities of their staffs to be able to keep up with the high competitive market in current situation. The company has conducted its operations according to the plans set in 2013 which continue from operations of 2012. The company has performed their operations in a cautious manner in order to have their products and service that met their customers' needs and maintain the good image of company.

## Message from the Board of Directors

Nevertheless, on behalf of Baan Rock Garden, PCL., board of directors and executive directors, we would like to express our deepest gratitude to our shareholders, customers, counterparties, staffs, financial institutions and relevant parties for their generous supports. The company continues to operate its operations with good governance and the best interest of all stakeholders.



(Mr. Virat Chinprapinporn)

Chairman of the Board

Baan Rock Garden Public Company Limited

## Report of the Chairman of the Audit Committee

### To Shareholders

At the Annual General Meeting of the Shareholders on 3 April 2013, independent director, namely, Mr. Surapol Satimanon, Mr. Wanchai Mekasut who was the member of the Audit Committee retired by rotation. The Meeting passed the resolution to re-elect him as the independent director and the member of the Audit Committee. Hence, the Audit Committee comprises 3 members who are not the Company's management or employees and have qualifications as specified by securities and exchange laws. The Meeting passed the resolution to re-elect all 3 retired directors to serve as the independent directors and the members of the Audit Committee for another term.

In 2013, the Audit Committee held 4 meetings to carry out duties and responsibilities in compliance with regulations of the Stock Exchange of Thailand and as assigned by the Board of Directors of the Company. The Audit Committee supervised business operation in line with specified scopes and goals as the following summaries.

1. Reviewed and examined transactions that may result in conflict of interest to ensure that the undertaking of such transactions were transparent and complied with policy and procedures on inter-company transactions.
2. Reviewed appropriateness of internal control system and reported internal audit result monitoring by inviting independent internal auditors and related management departments for explanation in order to make them realize about importance of internal control system.
3. Reviewed internal audit plan and operating results of independent internal auditors to enhance efficiency and effectiveness of internal audit operations.
4. Reviewed quarterly and annual financial statements, provided opinions and comments to ensure that financial statements fairly presented operating results and financial position of The Company as required by generally accepted accounting principles, and disclosed sufficient information.
5. Selected and proposed appointment of external auditor for 2013 as well as determined remuneration for external auditor to Board of Directors in order to propose to shareholders' meeting for consideration and approval.
6. Reviewed that the Company complied with Securities and Exchange Commission Act, regulations and rules of Stock Exchange of Thailand, and other laws related to the business of the Company.

**Report of the Chairman of the Audit Committee**

The Audit Committee would like to summarize about the governance of the Company for 2013 that the Audit Committee had duly adhered to the independence on conducting the duties and providing opinions and comments that were useful to the Company, all shareholders, and other stakeholders. The Audit Committee had received excellent cooperation from related persons, managements, and other parties.



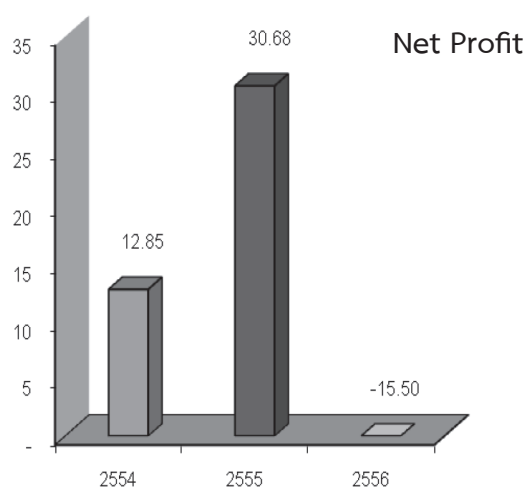
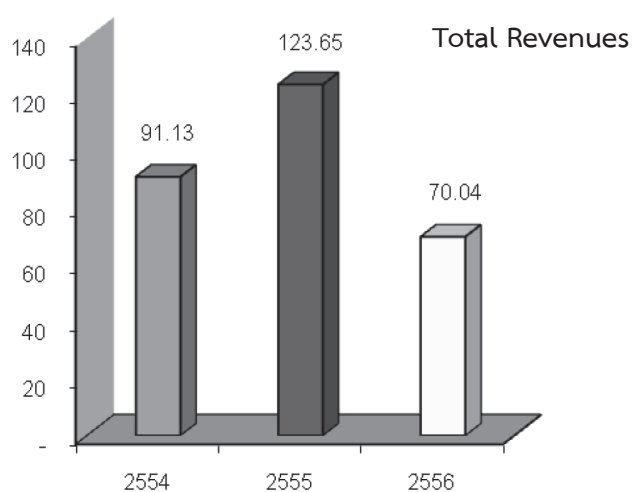
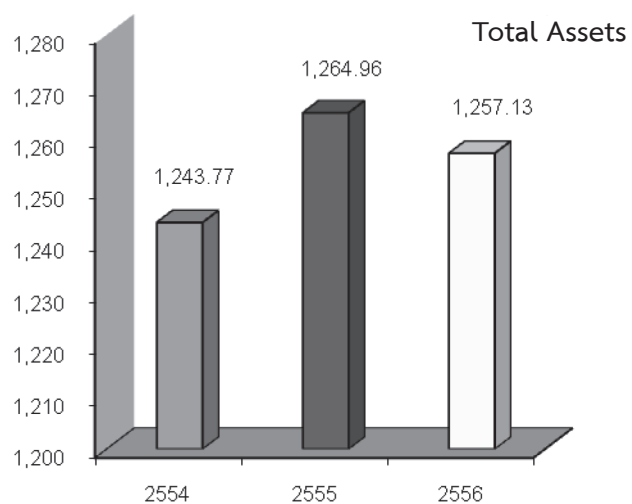
(Mr. Surapol Satimanon)

Chairman of the Audit Committee

27 February 2014

## Summary Financial Information

(Unit : million Baht)



## Summary Financial Information

## Summary Financial Information (Continued)

|                                  | Consolidated  |               | Unit : Baht |
|----------------------------------|---------------|---------------|-------------|
|                                  | 2013          | 2012          | Change %    |
| Total Revenue                    | 70,044,163    | 123,652,941   | (43.35%)    |
| Revenue from Sales               | 63,831,650    | 118,443,753   | (46.11%)    |
| Cost of sales                    | 30,639,289    | 55,949,304    | (45.24%)    |
| Gross Profit                     | 33,192,361    | 62,494,449    | (46.89%)    |
| Net Profit (loss)                | (15,501,645)  | 30,677,680    | (150.56%)   |
| Total Assets                     | 1,257,134,219 | 1,264,959,410 | (0.62%)     |
| Total Liabilities                | 38,236,638    | 27,560,114    | 38.74%      |
| Total Shareholders' Equity       | 1,218,897,580 | 1,237,399,296 | (1.50%)     |
| Issued and paid up share capital | 1,024,999,930 | 1,000,000,000 | 2.50%       |
| Per share data (Baht)            |               |               |             |
| Net profit                       | (0.02)        | 0.031         | (149.32%)   |
| Dividend                         | -             | 0.028         | (100.00%)   |
| Book Value                       | 1.19          | 1.23          | (3.25%)     |
| Finance Ratio                    |               |               |             |
| Profit Margin                    | 52.00%        | 52.76%        | (1.45%)     |
| Net Profit Margin                | (22.13%)      | 24.80%        | (189.25%)   |
| Return on Equity                 | (1.26%)       | 2.51%         | (150.51%)   |
| Return on Asset                  | (1.23%)       | 2.45%         | (150.29%)   |
| Debt to Equity Ratio             | 0.031         | 0.022         | 40.85%      |

## Nature of Business

### Company Background and Significant Developments

Baan Rock Garden Public Company Limited, (“Company” or “BROCK”), was formerly known as Chucheeep South Group, Co., Ltd. The Company was established on February 5, 1990, by the Silaprarat family, who had extensive experiences in land trading in Bangkok and other major cities of Thailand, such as Chiang Mai, as well as coastal provinces like Rayong and Phuket. They also conducted business on trading of allocated vacant land in Soi Vatcharapol, Bangkok, known as the “Agricultural Garden” project.

Since the Silaprarat family has spot the increasing opportunity of the property development, they have decided to enter the real estate development business by using the same executive team from the Rock Garden Group, Co., Ltd.. This has demonstrated the capabilities and the extensive experiences in real estate and resort business.

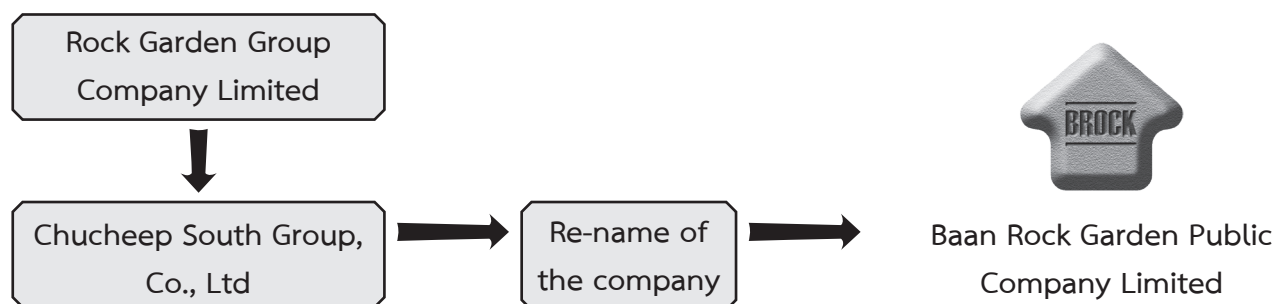


Chart: Re-organizational structure of the company

Following the corporate restructuring and the transfer of executives from Rock Garden Group Company Limited, the Company has since concentrated on operating in the real estate business. BROCK’s primary objective is to efficiently utilize all the land in its possession in Bangkok and Phuket. The Company also continuously seeks to acquire allocated land with high potential for profitable development projects.

The Company fully outsources its project design, project construction and project marketing in order to effectively control its expenses, and to promote the performance of the executive and management team.

The following information illustrated key developments of the Company during the past 5 years:

|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| March 1, 2007    | The Company began to develop the 32-3-58 rai land in Samut Prakarn, as the site for Baan Rock Garden Airport, Phase 1 and Baan Rock Garden, Phase 2, which consist of 2-storey townhouses, 2-storey duplexes and 2-storey detached houses. The total value of both projects is Bt. 579.97 million Baht.                                                                                                                                                                                                                                                                                                                                                                             |
| June 2, 2007     | <p>The Company entered a joint venture with a group of Swedish investors and a group of Thai investors in the proportion of 50:50. The joint venture was titled “Yamu Property Development, Co., Ltd.” The company has 4 Board Members, namely Mr. Virat Shinprapinporn, Mrs. Naowanit Silaparat and 2 representatives from the Swedish group. The authorizing directors include either one of Mr. Virat Shinprapinporn or Mrs. Naowanit Silaparat and either one of the two Swedish directors. The purposes of this joint venture include:</p> <ol style="list-style-type: none"> <li>1. A beach hotel</li> <li>2. A villa and a condominium</li> <li>3. A yacht marina</li> </ol> |
| June 29, 2007    | The Company merged with Navathep Co., Ltd., which was a subsidiary that the Company held 100% shares of. All assets and liabilities were transferred to BROCK, including approximately 500 rai of land in Phuket. The merger was called “Baan Rock Garden, Public Company Limited.”                                                                                                                                                                                                                                                                                                                                                                                                 |
| October 18, 2007 | After the Company had purchased the land of 32-3-58 rai in Samut Prakarn, in 2007 the Company also acquired an adjacent piece of land of 42-1-41 rai from another external person to use for the development of “Baan Rock Garden Airport” projects.                                                                                                                                                                                                                                                                                                                                                                                                                                |
| January 2008     | There were 10 phases in Baan Rock Garden Bypass 6 Project. The Company started Phase 1 of the project in the area around 23-2-42.2 rai. The Company would gradually developed Baan Rock Garden Bypass 6 Project for all 10 phases.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| June 2008        | The Company received apportion permission for Baan Rock Garden Airport Phase 2 Project. The project area was around 17-3-14 rai. This project encompassed 2-storey duplexes and 2-storey detached houses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| October 2008     | The Company started the development of Baan Rock Garden Airport Phase 3 Project. The project area was around 40-2-42.6 rai. This project encompassed 2-storey duplexes and 2-storey detached houses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

|               |                                                                                                                                                                                                                                                                                                            |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| January 2009  | The Company launched the Baan Rock Garden Bypass 6 Phase 1 Project of 49 units. The project encompassed 2-storey detached houses and the project area was around 23 – 2 – 42.2 rai.                                                                                                                        |
| February 2009 | The Company started the construction of the Baan Rock Airport Phase 2 Project of 137 units. The project encompassed 102 units of duplex houses and 35 units of 2-storey detached houses. The project area was 17–3–14 rai.                                                                                 |
| March 2009    | The Company started the development project of Baan Rock Garden Bypass 6 Phase 2 by readjusting the land. The project area was 27–3–11.2 rai.                                                                                                                                                              |
| May 2009      | The Company developed the utilities of Baan Rock Garden Bypass 6 Phase 2 Project.                                                                                                                                                                                                                          |
| June 2009     | The Company completely developed the utilities of the Baan Rock Airport Phase 3 Project.                                                                                                                                                                                                                   |
| January 2010  | The company already set drainage water systems and constructed roads in Baan Rock Garden By-pass 6 phase 10.                                                                                                                                                                                               |
| October 2010  | The company improved the surrounding landscapes of Baan Rock Garden By-pass 6 Phase 2 in order to keep the construction on a project plan.                                                                                                                                                                 |
| August 2011   | The Company supported the establishment of Baan Rock Garden Airport Juristic Person by residents of Baan Rock Garden Airport Phase 1 Project.                                                                                                                                                              |
| October 2011  | The Company employed The Coach Sales And Marketing Co., Ltd., as a project sales agent of Baan Rock Garden Airport Project; and also terminated the sale agreement with S M Properties Management Co., Ltd., on the same month.                                                                            |
| November 2011 | The Company transferred ownership rights on facilities and public parks in Baan Rock Garden Airport Phase 1 Project to Baan Rock Garden Airport Juristic Person.                                                                                                                                           |
| January 2012  | The Company rebranded Ban Rock Airport Project. Advertising teams were employed to design advertising media i.e. billboard, cutout, brochure, etc. The company therefore was able to compete with competitors.                                                                                             |
| March 2012    | The Company renovated landscape of road to Ban Rock Airport Project.                                                                                                                                                                                                                                       |
| May 2012      | The Company hired Agency For Real Estate Affaris Co., Ltd., to conduct a feasibility Study of Baan Rock Airport Phase 3 Project.                                                                                                                                                                           |
| October 2012  | The Company relocated the sale office to the entrance to the side street of the Project.                                                                                                                                                                                                                   |
| May 2013      | The company has increased its capital stocks from 1,000,000,000 Baht (one billion baht) to 1,025,000,000 (one thousand and twenty-five million baht) with paid capital of 1,024,999,930 (one thousand and twenty-four million, nine hundred and ninety-nine thousand, nine hundred and ninety-three baht). |

## Overview of Company's Business

Baan Rock Garden Public Company Limited conducts its business in real estate sector, with focus on the development of single-attached houses, townhouses and commercial building. The Company primarily develops its real estate under the project title “Baan Rock Garden” in Bangkok and other major provinces that have displayed rapid economy growth and potential for further growth, such as Phuket, Samuthprakarn and Rayong. The Company's current projects comprise the following:

1. “Rock Garden Home 1” and “Rock Garden Home 2” projects. Both projects comprise 2-storey townhouses and 4.5-storey commercial buildings that the Company acquired from ROCK GROUP, the Company's associate company, in September 2003. They were the remaining 91 available units of the projects that ROCK GROUP hadn't previously sold.

2. “Baan Rock Garden Meng-Jai” project. This project was the Company's first development project, which was introduced to the market in February 2004. The project comprises 63 units of 3-storey semi-home-office townhouses, located on Pracha-utit Road, Bangkok.

3. “Baan Rock Garden Bypass” project. The Company's second development project is a large project, primarily located in the vicinity of Phuket Bypass Road, which is the province's major district. The project is divided into 6 development phases.

- 3.1) “Baan Rock Garden Bypass 1.” The project consists of 91 units of single-storey townhouses.

- 3.2) “Baan Rock Garden Bypass 2.” The project comprises 84 units of single-storey townhouses and 15 units of 2.5-storey commercial building.

- 3.3) “Baan Rock Garden Bypass 3.” The project includes the total of 90 units of duplex houses, single-storey detached houses, 2-storey detached houses and home offices.

- 3.4) “Baan Rock Garden Bypass 4.” The project consists of 82 total units of duplex houses, single-storey detached houses, 2-storey detached houses and home offices.

- 3.5) “Baan Rock Garden Bypass 5.” The project is made up of 94 total units of duplex houses and 2-storey detached houses.

- 3.6) “Baan Rock Garden Bypass 6.” The project is divided into 10 development phases. The project is made up of 580 total units of 2-storey detached houses.

- 3.6.1) “Baan Rock Garden Bypass 6 Phase 1.” The project is made up of 49 total units of 2-storey detached houses.

4. “Baan Rock Garden Airport” Project. The project is located on Onnuch-Ladkrabang highway, Amphur Bangsolthong, Samuthprakarn province. Currently, the first phase has been opened for sales.

- 4.1) “Baan Rock Garden Airport, Phase 1.” The project consists of 129 units of 2-storey townhouses and 2-storey duplexes.

4.2) “Baan Rock Garden Airport, Phase 2.” The project comprises 137 units of 2-storey detached houses and 2-storey duplexes.

5. The Company entered into a joint venture with a group of Swedish investors and a group of Thai investors, in the proportion of 50:50. A development project will be developed under the umbrella of this joint venture on 500 rai of land in Tambol Pa Klog, Amphur Talang, Phuket. The project is made up of a beach hotel, a villa, a condominium and a yacht marina.

## Future Projects ●

### “Baan Rock Garden Airport Project”

The Company has launched 2 projects of Baan Rock Garden Airport, namely, Baan Rock Garden Airport Phase 1 and Baan Rock Garden Airport Phase 2. In 2011, the Company recognized incomes from Baan Rock Garden Airport Phase 1 and Phase 2 i.e. 2-storey townhouses, 2-storey semi-detached houses and 2-storey detached houses.

For the year 2014 the Company closed the sale of the home will accelerate Rock Garden Phase 1. The airport is expected to be sold this year. Rock Garden Phase 2 with total areas of 17- 3 - 14 rai. The project comprises 137 units of 2-storey detached houses value is 102 units and 2-storey duplexes value is 35 unit ,Construction is completed. The Company completely developed the utilities of the Baan Rock Airport Phase 3 Project areas of 40- 2 – 4.6 rai. The company is studying the possibility of both. Market competition. Exploring the needs of customers. And get begin manage plan develop other, respectively.

### “Baan Rock Garden Bypass Phase 6 Project”

The company has already completed 5 projects in Phuket which are the Baan Rock Garden Bypass 1 project, Baan Rock Garden Bypass 2 project, Baan Rock Garden Bypass 3 project, Baan Rock Garden Bypass 4 project and Baan Rock Garden Bypass 5 project. These projects with total areas of 57-1-81.3 rai (from the end of 2004 to 2007) are located on the bypass road in Phuket.

After the completion of the abovementioned projects, the company has started their future property development projects. These future projects include the Baan Rock Garden Bypass Phase 6 project with the areas on the bypass road of 235-1-18.5 rai (after deducting the areas of 25-1-25 rai where the electric poles are located, as such, the company has turned that into a public park). This project is located in a good location which is considered to be the main location in Phuket with its growth potential as it is located along the bypass road and close to the Central Festival Department Store and Tesco Lotus. The company’s objective is to continue its property development whereby the project shall offer 2 storey detached houses with plot of land. The Baan Rock Garden Bypass 6 project has 10 phases with total 580 units. In 2009, the Company launched Baan Rock Garden Bypass 6 Phase 1 Project comprising 49 units (23-2-42.2 rai) and realized incomes on March 2010. The Company continued

to develop facilities of Baan Rock Garden Bypass 6 Phase 1 and Phase 10 Project. Sources of capital were from operating cash flow and / or loans from financial institutions.

For in year 2014 a company recognized incomes Baan Rock Garden Bypass 6/1 by suppose will can close the sale has in this year , and begin manage plan the development builds project Baan Rock Garden Bypass 6/2 continuously.

#### **“Joint investment project with the foreign investors”**

The company has established the joint venture under the name of Yamoo Property Development Co., Ltd. whereby the joint investment between the Swedish investors and the Thais is at 50:50. There are 4 directors at this joint venture, comprising of Mr. Virat Chinprapinporn, Mrs. Naowanit Silaprarat and 2 Swedish investors. The authorized persons which are either Mr. Virat Chinprapinporn or Mrs. Naowanit Silaprarat shall sign with one of Swedish investors. The objective of this joint venture is to build the hotel that is near the sea, weekend houses, condominium, and yacht dock. This project has the areas more than 500 rai and is located at Amphur Thalang, Phuket.

#### **“Baan Rock Garden Project at Soi Watcharaphon”**

The company has the plot of land of 3-2-68.9 rai at Soi Watcharaphon whereby the company has planned to start its development project after the road construction linking Nimitmai Road and Rattanakosin Sompote Road via outer ring has completed. This new road shall pass at the front of the project. This project is to construct the commercial building which is the future project of the company. The appraisal value of this plot of land has increased as partial plot of lands in the area have been under acquisition so that the road can be expanded and this can be the intersection between the new road from Phaholyothin Road and Rattanakosin Sompote Road. As such, this has made the company’s plot of land to be close to the abovementioned road. Besides the progress on the new road construction, the government has already paid for the land acquisition and shall start constructing the link from Rattanakosin Sompote Road to Phaholyothin Road.

#### **“Baan Rock Garden Baan Pae Project”**

This project has the area of 104 rai which is located on the Sukhumvit Road and close to the community. This plot of land is located along the hill side and close to the sea which makes it suitable for developing the residential areas. The company shall construct the commercial building, detached houses and hill side detached houses whereby this shall be the highlight of this project. The target customers of the company are the local who may want to own the weekend houses and the foreigners who are looking for houses. With the potential of Tumboon Baan Pae which is the most popular tourist attraction in Rayong, there are a lot of tourists visiting Tumboon Baan Pae each year. One of the popular tourist destinations is Koh Samet. Of that number, several tourists are looking for houses. As for the progress of this project, it is on the process of studying the project structure.

## Market and Competition Analysis

### Competition and marketing conditions

#### Economic Conditions in 2013 and Trends in 2014

In 2013, there is a slowdown in the property market due to several factors. These include a slowdown of economy and political instabilities which has been going on from end of 2013 until today. Moreover, with increasing household debts this has affected the purchasing power and debt repayment of housing customers.

Although the economy has continued to slowdown since 2012, the company has introduced various marketing campaigns in order to boost the sales of property in Bangkok. With the location of Baan Rock Garden Airport project which was located in the area that easy access and convenient to transport, this has made this project benefited from their campaigns. As for property market in Phuket, there is a high competition. The company has continued its property development project in Phuket under the name of Baan Rock Garden Bypass. The company believes that since the tourism in Phuket has continued to grow; then there would be more demand on housings as more people have moved to work in Phuket and a lot of tourists travelling to Phuket are fascinated with the beauty of Phuket and would like to own the summer house or condominium here in Phuket.

It is believed that the property market in the year 2014 would continue to have the support from the following factors:

1. Mega projects (on public transportation, flood prevention and high-speed train) where the government has great interest to make Thailand become Asian hub. This shall attract more foreign investments in Thailand. With these mega projects, this has boost the property market and demand along the urban borders due to the transportation advantage. Moreover, there are more real estate projects in the big cities e.g. Phuket, Khon Khaen, Ubonratchathani, Udonthani and Rayong, etc.
2. The policy rate set by the Bank of Thailand is expected to remain at the rate of 2.25% until middle of the year and since the economy is starting to recover, the interest rate shall start to increase slightly. Therefore the commercial bank shall strict their lending standard. Those who would buy the house shall be those who truly need one and with ability to pay.

However, there are some pressures on this project due to sharp increasing costs.

1. Lack of labors and contractors is considered to be an important factor for this business. Over the past years, many developers have launched several new projects and with the nationwide increase of labor cost to 300 Baht the labors have migrated back to their hometown. This has led to a shortage of labors. Although, an increase in a minimum

wage has directly and indirectly affected the construction costs; this has slightly impact to the company's project as the company has cost management policy, causing the company to control its cost efficiently. Examples include putting out purchasing order in advance, hiring legal alien labors with skills, and quality control of its construction. This has made the company able to manage their supplies and finish building houses in a specified time.

2. Household debts: there is a significant increase of NPLs since the third quarter of last year and is expected to keep rising as the consumers have more debts. High household debts could have an impact when applying for loans from commercial banks, for example, some customers who have already applied for 5-year hire purchase loan from the first car scheme may not be able to apply for housing loan unless the persons have good income.

### The Company's market ●

Baan Rock Garden, PLC is focusing on developing and selling housing and land to customer group with average income, with price ranging from Bt. 1.49 million Baht to 4 million Baht. The Company has a policy to standardize the quality of all its projects, under the brand "Baan Rock Garden," in order to build confidence in its products among all the customers. The Company's strategy to sustain and to expand its market share is as followed:

- 1) selecting convenient locations, by building projects in the vicinity of town centers and shopping malls.
- 2) Setting appropriate pricing for every project by considering general consumer behavior and purchasing power of people in the area, so they could make prompt decision upon acknowledging the prices.
- 3) Presenting all housing with standardized quality, built with high-quality and durable materials.
- 4) Constructing and transferring all houses in timely manner, which is the Company's most outstanding strength that has built its trustworthy image among the consumers.
- 5) Maintaining excellent relationship with customers through post-sales services, such as maintenance of the house structure, painting and ceiling, as well as setting up water and electricity system. The Company employs its own construction team specifically to offer such services.
- 6) Expanding the projects to other provinces with high potential.

### 1. Product Strategy

The Company consider to develop the project in the area which has a chance in the economic great. According to The Company has set a policy to fully outsource its project development team, in order to help the Company to effectively control its expenses and to develop projects that meet the needs and objectives by hired professionals. As a result, the Company's projects are designed to appear modern and architecturally unique. The houses are designed to be spacious and airy, yet sufficiently functional, with openings for sunlight to reach the interior to emphasize the energy conservation concept. Furthermore, the Company also contracts external resources for all project constructions, by employing appropriate and effective selection process. It also sets the specifications of the suitable construction materials that the contractors must use for the projects. The construction will be thoroughly monitored and inspected by the Company's Project Construction Department, until the constructed unit is delivered to the Company, in order to ensure that the constructions are performed effectively in every step up until the rights transfer to the customers.

### 2. Pricing Strategy

The Company sets its product prices by employing the cost-plus-margin method. However, in the final stage of pricing, the Company also takes into consideration the market demand and competition conditions at the time. The performance of real estate industry largely depends on 1) interest rates; 2) consumer's purchasing power; and 3) the country's economic growth rate.

### Distribution channel ●

The company has greatly emphasized on sales persons at the sales office as their distribution channel to provide service to the retail customers who have walked in. Such sales persons at the sales office are the marketing officers whereby these positions have been outsourced. The company has hired 1 team of external parties to be responsible for the projects in Bangkok and another team to respond for the projects in Phuket. These marketing officers have great knowledge and expertise in the real estate market of those areas for a long time.

As for the marketing promotion, the marketing department of the company has worked with the marketing officers to arrange the promotion and several forms of advertisements e.g. billboards, medias on the minibus, booths displayed in many places in order to reach to the buyers and find the buyers for the company. These 2 marketing teams sale in the project.

### Impacts on environment ●

The Company has faced no conflict regarding environment handling in the past 3 years, as the Company has put high priority in managing the environmental impact. The Company has set strict policy on environment treatment, by setting up systematic and standardized public utilities, especially water treatment system, including each project's central water treatment facility. Moreover, the Company has always followed up on its policy to minimize impacts on environments and its policy to regularly inspect the conditions of project surroundings.

## Corporate Governance

### Rights of Shareholders

The Company has given the importance on the equal right of all shareholders for example we regularly inform the shareholders of the progress of the business operation. All shareholders earn the equal right to question and express their views as well as advices on the Company's business operation on the company's website at [www.rockgarden.co.th](http://www.rockgarden.co.th).

In the Annual General Meeting of Shareholder, with the important of the voting rights of the shareholders, the company has sent shareholders the invitation letter and the meeting document 14 days before the commencement of the meeting whereby these letters shall be sent by Thailand Securities Depository Co., Ltd., the company's registrar. Moreover, the company has published the invitation letter and the meeting documents on the company's website at [www.rockgarden.co.th](http://www.rockgarden.co.th) approximately 30 days before the commencement of the meeting in order for the shareholders to study in advance. The annual report has also been published on the company's website approximately 14 days before the commencement of the meeting.

The shareholders have the opportunity to ask any questions on each agenda by contacting Miss Nattaya Sukkhang, secretary of the company, via her E-mail address: [nattaya@rockgarden.co.th](mailto:nattaya@rockgarden.co.th), or reaching her at 02 – 9347000 ext. 307 at least 3 days before the commencement of the meeting whereby this should not be more than 7 days. Moreover, the shareholders could raise questions or express their opinions on any agenda during the meeting. The questions raised and the answers including the suggestions shall be recorded in the minute whereby this shall be published on the company's website at [www.rockgarden.co.th](http://www.rockgarden.co.th) in the form of video clip approximately 14 days after the commencement of the meeting. The company shall announce this information to the shareholders either directly or through the Stock Exchange of Thailand.

### Equal Treatments of Shareholders

To protect the fundamental rights of shareholders, the Company has made it its policy to support and value equal and indiscriminate treatments toward them, especially minority shareholders whose rights have been violated and should be compensated. As a result, the Company has resolved to adopt the following measures:

1. When arranging the Annual General Meeting of Shareholder, the shareholders are given the opportunity to propose additional agendas via the company's website,

www.rockgarden.co.th, or they could contact investor relations unit at 02-9347000 ext. 310 or fax at 02-9347186 for more information regarding the rules and procedures in proposing additional agenda. The company has also announced this information to the shareholders through the Stock Exchange of Thailand.

2. At shareholders' meetings, each agenda item will be strictly followed in the order published in the invitation letters. No additional agenda item shall be added without advance notice to the shareholders. The measure is to ensure that the shareholders have enough time to study relevant information before making decisions.
3. The Company proposes the names of all of its independent directors as an option for proxies. A shareholder may choose to be represented by any one of them. The proxy forms are also in line with the forms recommended by the Commerce Ministry, with the formats that allow the shareholders to dictate the direction of his votes. The measure is to encourage the shareholders to exercise their rights to attend the meetings and vote on each agenda item.
4. The Company promotes the use of voting tickets for all agenda items by printing them separately for each major issue. The shareholders can therefore vote as they deem appropriate. The voting tickets will be kept in the meeting rooms so that they may be counted and added to the votes cast in advance in the proxy forms before announcing the result of the voting in the meeting room.

## Rights of Stakeholders

The Company valued the rights of all stakeholders such as the employees and executive of the Company and its subsidiaries, as well as outsiders such as trading partners, the public sector and related agencies to ensure a long-term success. The details are as follows:

- Employees : The Company has treated its employees fairly and paid them appropriately. Moreover, the company has offered various kinds of fringe benefits. These include the uniforms to all employees whereby the patterns shall be changed every 2 years, accident insurance for employees with operations risk, annual check-up, provident fund, accommodation with facilities for employees who work in provincial areas.
- For the human resource development, the company has trained several employees in order to enhance their knowledge and capability. The trainings include the use of some computer software, joint –seminar with the Stock Exchange of Thailand, Finance and Accounting training, etc.

- Trading partners : In purchasing goods and services from its trading partners, the Company has complied with trading terms and fulfilled its contractual obligations with integrity and transparency.
- Creditors : The Company has taken good care of and acted responsibly toward its customers. It has produced quality and standard products, maintained their confidentiality and set up a unit exclusively to deal with them. The company has also listened to recommendations and opinions provided by its customers. As such, the customer relations unit has been established in order to provide the after sales service to the company's customers.
- Competitors : The Company has competed within the frame word of good competition and avoided any dishonest strategy aimed at destroying them.
- Communities : The Company acts responsibly toward the environment of communities and the society by complying with any environmental law in order to avoid impacts towards the company, its community and any relating parties. The company has also paid great attention to the current environmental situation. Therefore, the company has regularly organized the activities to stop global warming annually.

Regarding the stakeholders' contributions, the stakeholders can file the complaints; give any clue on the misbehavior of the company's employees or behaviors that could bring a disgrace to the company by sending the letter to the Managing Director at 601 Soi Ramkhamhange 39, Prachauthit Road, Wangtonglang District, Bangkok 10310. After received the letter, the company shall consider only the complaint letter or suggestion made by the stakeholders who have provided their name, contact address, telephone number and E-mail address (if any) and have relation with the company. This information shall be kept confidential.

If the company has conducted the inspection and found some evident, the company shall proceed according to the laws and relevant rules and regulation, including report to the Board for justice and transparency so that all departments have been informed.

### Disclosure and Transparency

Aware of the importance of adequate, accurate, inclusive, timely and transparent disclosure, the Company publishes its important information including financial and non-financial data on the website of the Stock Exchange of Thailand (SET) and of the Security and Exchange Commission (SEC) according to the criteria laid down by the SET and SEC.

Moreover, the company has established the investor relations unit (Tel: 02-9347000 ext. 310 or E-mail address: suweeranun@rockgarden.co.th as a communication channel for the shareholders, investors and persons who are interested to learn more about the company can make inquiries regarding the company. The information that has been made public and informed to stakeholders is made available at the Company's website at [www.rockgarden.co.th](http://www.rockgarden.co.th) and updates are made regularly to ensure users can have convenient access to timely news and information in their best interests.

### Corporate Governance

The Company gives the corporate governance of the Stock Exchange of Thailand a high priority as it is considered a vital system to the processes and structures of leadership and control. The corporate governance also facilitates responsibility for one's position through transparency and enhances corporate competitiveness as a mean to preserving capital and adding value to the Shareholder's equity in the long term. The corporate governance is a code of business ethics that protects various interested parties and society in the entirety. The principles of good corporate governance, which are:

### Policies on Corporate Governance

With the understanding of the importance of Policies on Corporate Governance, the Company's Board of Directors has set the policies focusing on the transparency of business operation, investigation and disclosure of information to the public and shareholders on a regular basis. We also give the attention to the internal control and auditing system including the effort to closely manage and control and the risks by taking into consideration the ethics of fair business operation to the customers, shareholders and stakeholders. The structure of the Executive Board is as follows:

|                          |           |
|--------------------------|-----------|
| Management Committee     | 3 persons |
| Non-management Committee | 1 persons |
| Independent Committee    | 3 persons |

The Board of Director has been elected by the company whereby each director shall have the term of 2 years. In order to enhance the management efficiency, the check and balance has been clearly put in place. As such, no employee shall have solely authority to sign or make decision. Moreover, a clear line of authority and segregation of function have been established. The structure of the management has been written in the annual report in order to be accordance with the good corporate governance of the Stock Exchange of Thailand. For more detail, please see "Management".

### Leadership and Vision

The board has actively participated in determining the policies, objectives, business plans and budgets of the Company, as well as supervised the management to ensure the business has been implements in line with the laid-down plans and budgets in an efficient and effective manner.

### Training and Development for Directors and the Management

It is a company's policy to encourage all members of the Board to undertake some training courses from Thai Institute of Directors (IOD) which are relating to their positions and responsibilities in order to enhance their knowledge and capability to efficiently govern the company. For the directors who have just been elected, each director shall be informed of the information of the company, rules and regulations, business model of the company, which is relevant to their duties. Moreover, various trainings shall be provided to such directors in order to continually enhance their knowledge. The training information shall be published on 56-1 and the annual report. For more details, please see "Directors' profile"

### The Board's remunerations

Although the company has not yet had the Remuneration Sub-committee, the company has an appropriate process to determine the remunerations. The Company has set a transparent policy to compensate all the Directors with remunerations and other benefits that are fair for their responsibilities and contributions. The Chairman of the Board authorized the remunerations to be paid to the Directors in 2012 to be no greater than 1.5 million Baht, to be same from the 2011 remuneration by determining from the remuneration generally paid in the same industry.

- The meeting allowance for the Board and the Audit Committee 15,000 baht/ meeting

The remunerations of the management shall be accordance to the policy set by the Board whereby this shall be linked to the operation results of the company and the performance of each management. The performance evaluation shall be conducted according to the chain of command and the remunerations are in the form of salary.

### Conflicts of Interests

The Company has the policy to eliminate the conflicts of interest by allowing the audit committee to consider and approve the transactions. The audit committee will bring all issues to the Board of Directors' meeting for consideration where the stakeholders of the particular issue will be required not to vote for justice and best company's benefit purposes. The Company always operates the business according to the rules of the Stock Exchange of Thailand, and discloses details, value,

contracts and other necessities in the annual report and Form 56-1. For the usage of inside information, the Company's policy indicates that the management must follow Section 59 of Stock & Stock Market Act, B.E.1992 and are not allowed to use inside information for personal benefits.

**Business Ethics**

The Company's Board of Directors and management promote the employee's honesty and responsibility to the stakeholders, shareholders and all parties concerned. This is important in order to build an organizational culture with social responsibility. The Company has required that the executive board conform the Best Code of Practices based on SET's guidelines.

## Corporate Social Responsibility

Baan Rock Garden Public Company Limited is committed to code of conduct, good governance and social responsibilities.

The Company therefore emphasizes on “Corporate Social Responsibility”, as its main policy, together with business operation. The Company supported non-profit organizations and launched projects and activities benefiting the public.



### Community

Baan Rock Garden Public Company Limited, with the collaboration of Wang Thong Lang Police Station, donated bicycles and gifts as prizes and gifts for children on the Child Day annually held at sport arena of Wang Thong Lang Police Station.

### Education

Baan Rock Garden PCL has recognized problems of visual impaired youth and children. To promote their learning, the Company grants scholarships, sport equipment and teaching materials to teachers and students of Thammik Wittaya School, Khaoyoi District, Petchaburi Province.



### Environment

Baan Rock Garden PCL, with the collaboration of Marine Fisheries Research and Development Center, held marine ecotourism activities at Samet Island, Rayong Province. The public activities covered collecting garbage under the sea and releasing clown fish. The Company aims to promote marine tourism and conservation tourism, and reducing garbage and promoting sustainable tourism.

## Volunteer Spirit ●

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- **Blessing to His Majesty the King**

To express the royalty to His Majesty the King, this activity is a part of the celebrations in honor of His Majesty the King's birthday anniversary and the Father's Day.

- **Energy Saving and Resource Reservation Campaign**

The Company promoted staff awareness on energy saving and resource reservation starting from internal initiatives such as reuse, reduction, recycle. The Company also encouraged staff behaviors on energy saving i.e. water energy or electricity energy by turning off after use.

- **Management and Staff Participation in Social Sharing Activities**

This is part of the Company's corporate social responsibility policy. The Company continued to share and return benefits to communities. Staff participated in donation to several foundations such as Child Protection Foundation, World Vision Foundation of Thailand, etc.

## Shareholder's Structure and Management

Baan Rock Garden Public Company Limited is the listed company in the Stock Exchange of Thailand with the details of the authorized capital as follows:

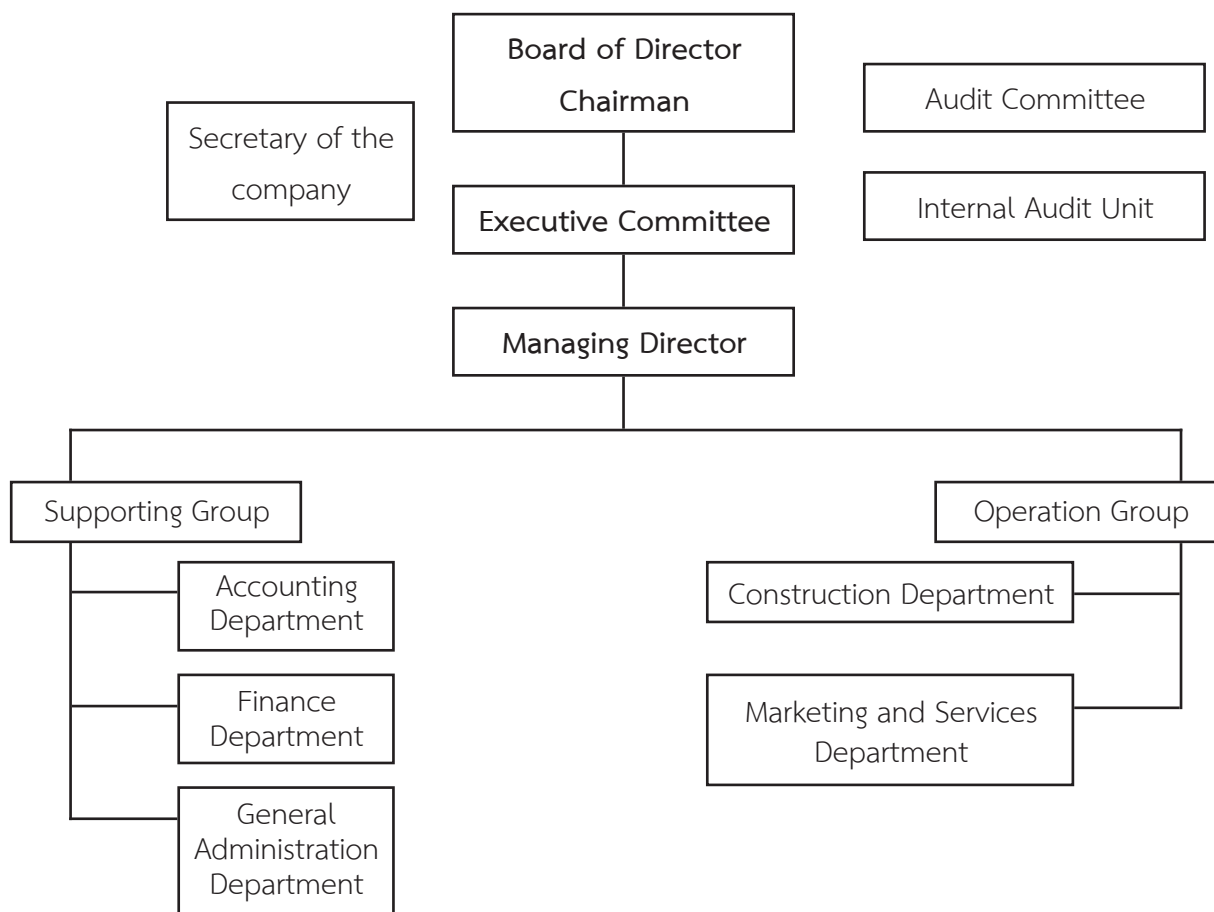
| Items              | No. of shares (million shares) | Amount (million baht) |
|--------------------|--------------------------------|-----------------------|
| Authorized capital | 1,000                          | 1,000                 |
| Paid-up capital    | 1,000                          | 1,000                 |

As of the book closing date on 8 March 2013 where the dividends shall be paid to shareholders on 30 April 2013, the lists of 10 major shareholders are as follows:

| No.                  | Name of the person/ company    | No. of shares (shares) | % of total shares |
|----------------------|--------------------------------|------------------------|-------------------|
| 1                    | Mr.Virat Chinprapinporn        | 210,118,100            | 21.01%            |
| 2                    | Mrs.Nongnoi Silaparat          | 115,577,650            | 11.56%            |
| 3                    | Mr.Sompong Chonkadeedamrongkul | 82,670,000             | 8.27%             |
| 4                    | Mrs.Naowanij Silaparat         | 81,678,000             | 8.17%             |
| 5                    | Mrs.Naowaratlalit Kasetuwan    | 81,221,750             | 8.12%             |
| 6                    | Mrs.Naowanart Jamornmarn       | 80,565,750             | 8.06%             |
| 7                    | Ms.Naowaruji Silaparat         | 80,000,000             | 8.00%             |
| 8                    | Ms.Naowarat Suthamjariya       | 80,000,000             | 8.00%             |
| 9                    | Mr.Pittaya Rungwatanasopon     | 13,700,000             | 1.37%             |
| 10                   | Mr. Saksom Jamornmarn          | 11,370,100             | 1.14%             |
| Total holding shares |                                | 836,901,350            | 83.69%            |
| Total all stock      |                                | 1,000,000,000          |                   |

## Management

## Corporate Structure of Baan Rock Garden Public Company Limited



## Management Structure

The Company's management structure consists of 3 committees, namely the Board of Directors, the Executive Committee and the Audit Committee.

### A) The Board of Directors

The Board of Directors comprise of the following 6 directors:

| No.                                                                                                                    | Board Members              | Positions                                              |
|------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------------------------|
| 1                                                                                                                      | Mr. Virat Chinprapinporn   | Chairman of the Board                                  |
| 2                                                                                                                      | Mr. Surapol Satimanont     | Director / Independent and Chairman of Audit Committee |
| 3                                                                                                                      | Mr. Wanchai Mekasut        | Director / Independent and Audit Committee             |
| 4                                                                                                                      | Mr. Preecha Jenthanavijit  | Director / Independent and Audit Committee             |
| 5                                                                                                                      | Mrs. Naowanit Silaprarat   | Director and Managing Director                         |
| 6                                                                                                                      | Mrs. Naowarat Suthamjariya | Director                                               |
| Miss.Jantamat Hankimhunt , the Department Head of Corporate Administration, is the Secretary to the Board of Director. |                            |                                                        |

The total number of Board Meetings and the number of Board Meetings each Director attended during the years 2012 and 2013

| No. | Board Members              | 2012                                       | 2013                                       |
|-----|----------------------------|--------------------------------------------|--------------------------------------------|
|     |                            | Number of Meetings attended / total number | Number of Meetings attended / total number |
| 1   | Mr. Virat Chinprapinporn   | 4/4                                        | 3/4                                        |
| 2   | Mr. Surapol Satimanont     | 3/4                                        | 4/4                                        |
| 3   | Mr. Wanchai Mekasut        | 4/4                                        | 4/4                                        |
| 4   | Mr. Preecha Jenthanavijit  | 4/4                                        | 4/4                                        |
| 5   | Mrs. Naowanit Silaprarat   | 3/4                                        | 4/4                                        |
| 6   | Mrs. Naowarat Suthamjariya | 4/4                                        | 4/4                                        |

## Scope of Authority and Responsibilities of the Board of Directors

1. The Board of Directors is responsible for ensuring that the activities of the Company conform to the objectives and rules of the Company, resolutions of the Shareholder meetings, as long as they abide by the law. The Board of Directors must also ensure that the Company's business conduct strictly follows the rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission of Thailand.
2. The Board of Directors establishes the Company's targets, directions, policies, operational plans and annual budgets, as well as reviews and evaluates the Company's performances. The Board of Directors sets the schedules and formats for performance reporting that the Company must follow.
3. The Board of Directors may appoint a number of Directors and/or Executives, as appropriate, to form an Executive Committee and assign them to manage the Company on their behalf. The Board of Directors will appoint one among the Executive Committee to be the Chief Executive Officer. The Board of Directors may only empower the Executive Committee to manage the Company within their scope of authority and responsibilities, as stated by the law, and they must clearly specify the scope of authority and responsibilities of the Executive Committee.
4. The Directors may not initiate a business that directly competes with the Company. They also may not become partners in any ordinary partnerships, general partners in any limited partnerships, or directors of any companies that pose direct competition to the Company.
5. The Board of Directors must review the adequacy and appropriateness of the Company's internal control system and risk management procedures.
6. The Board of Directors must ensure that the Company's operation receive sufficient audit from the internal Auditor and external Certified Accountant.
7. The Board of Directors is responsible for the review and approval of the Company's periodical and annual financial statements, as well as ensuring that the financial statements are produced in accordance to the general accounting standard.
8. The Board of Directors must equally protect the benefits and rights of all Shareholders, Major and others. They must also ensure that the Company's information are disclosed to the Shareholders in accurate, complete, proper and transparent manner.

To exercise their authority in the following Company's affairs, the Board of Directors must first receive the approval from the Board Meeting through the majority voting of attending Directors, and also from the Shareholder Meeting with the approval resolution produced by at least 75% of attending Shareholders with voices.

- (a) Sale or transfer of the entire or the significant portion of the Company's business to other parties.
- (b) Acquisition or transfer of other public or private company's business to become part of the Company's.
- (c) Amendments to the Company's Memorandum of Association or Articles of Association.
- (d) Increase or decrease of the Company's capitals, or issuance of debentures.
- (e) Corporate merger or dissolution.

### Secretary of the Board

The secretary of the Board is responsible for providing advice on laws and other rules and regulations to the Board in order for the Board to operate according to good corporate governance including coordinating with the Board and organizing the Board meeting to be in accordance with the rules and regulations of the company.

### Authorized Directors

The Authorized Directors comprise

| No. | Board Members              | Positions                                  |
|-----|----------------------------|--------------------------------------------|
| 1   | Mr. Virat Chinprapinporn   | Chairman of the Board                      |
| 2   | Mrs. Naowanit Silaprarat   | Director and Managing Director             |
| 3   | Mrs. Naowarat Suthamjariya | Director                                   |
| 4   | Mr. Preecha Jenthanavijit  | Director / Independent and Audit Committee |

Any two of the above may sign along with the Company's seal affixed.

## B) The Executive Committee

The Executive Committee comprises the following 3 executive members:

| No. | Executive Members        | Position                         |
|-----|--------------------------|----------------------------------|
| 1   | Mr. Virat Chinprapinporn | Chief Executive Officer          |
| 2   | Mrs. Naowanit Silaprarat | Director and Managing Director   |
| 3   | Mss.Waraporn Thanrin     | Executive Director of Accounting |

### Scope of Authority and Responsibilities of the Executive Committee ●

1. The Executive Committee is responsible for the consideration of the annual budget allocation, proposed by the management team, before taking it to the Board of Directors for approval. The responsibilities also include the urgent review and approval of the amendments and the additions to the annual expense budget in the events of no scheduled Board Meeting. The executive decisions must, however, be informed to the Board of Directors in the soonest Board Meeting.
2. The Executive Committee is responsible for the consideration of the Company's policies, directions, strategies and management structure. The Executives must also set the guidelines for the operations that correspond to the circumstances of economy and market competition, as reported by the management team, before proposing them to the Board of Directors for approval.
3. The Executive Committee must ensure that the Company effectively operates in accordance with the policies and operational guidelines.
4. The Executive Committee has the authority to appoint the Managing Director, and to discharge personnel below the position of the Managing Director from their positions.
5. The Executive Committee is responsible for the allocation of gratuity, after the approval from the Board of Directors, to the employees, workers or anyone who act on the Company's best interest.
6. The Executive Committee is authorized, following the approval from the Board, to endorse the Company's financial transactions, such as account opening, loans, pledges, mortgages, as well as land trading and registration of land ownership, providing the transactions are in line with the Company's objective, and performed to promote the Company's benefits.
7. The Executive Committee is responsible for carrying out any other assignments the Board of Directors entrusts it with. Nevertheless, the empowerment of the Board of Directors to the Executive Committee must be within the legal scope of authority and responsibilities of the Executive Committee

The Executive Committee is not authorized to conduct any of the following affairs, or related matters, without first proposing to the Audit Committee for its opinion, and proposing to the Board of Directors and / or the Shareholder Meeting for approval: (a) connected transactions; (b) trading transactions of Company's significant assets; and / or (c) transactions that involve parties who have potential conflicts of interest with the Company and its subsidiaries, (if any).

Furthermore, in conducting the connected transactions or trading transactions of Company's significant assets, as defined in the regulations of the Stock Exchange of Thailand, as well as the above transactions involving other listed companies, the Executive Committee must first obtain approval from the Shareholders in a Shareholder Meeting, or by any other mean possible, according to the regulations of the Stock Exchange of Thailand.

### C) The Audit Committee

The Audit Committee is an independent party elected to join the Board of the Directors, with responsibilities to examine the financial information proposed to Shareholders and other related parties, to investigate the internal control system, to conduct internal audit processes, and to communicate with the Company's external auditor.

#### The Audit Committee consists of the following 3 Directors

| No.                                                                                                          | Executive Members         | Position                                               |
|--------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------------------------------|
| 1                                                                                                            | Mr. Surapol Satimanont    | Director / Independent and Chairman of Audit Committee |
| 2                                                                                                            | Mr. Wanchai Mekasut       | Director / Independent and Audit Committee             |
| 3                                                                                                            | Mr. Preecha Jenthanavijit | Director / Independent and Audit Committee             |
| Mss.Waraporn Thanrin , the Department Head of Corporate Accounting, is the Secretary to the Audit Committee. |                           |                                                        |

#### The total number of Audit Committee Meetings and the number of Committee Meetings each Member of the Committee attended during the years 2012 and 2013

| No. | Board Members             | 2012                                       | 2013                                       |
|-----|---------------------------|--------------------------------------------|--------------------------------------------|
|     |                           | Number of Meetings attended / total number | Number of Meetings attended / total number |
| 1   | Mr. Surapol Satimanont    | 3/4                                        | 4/4                                        |
| 2   | Mr. Wanchai Mekasut       | 4/4                                        | 4/4                                        |
| 3   | Mr. Preecha Jenthanavijit | 4/4                                        | 4/4                                        |

### Scope of Authority and Responsibilities of the Audit Committee

1. The Audit Committee is responsible for investigating, in concert with the Company's external auditor, whether the Company's financial reports are accurately produced, with adequate disclosure. The Committee may voice its opinion to the Auditor, as well as review and investigate any transactions it sees fit.
2. The Audit Committee is responsible for investigating, in concert with the Company's external auditor and internal auditor, whether the Company's internal control and internal audit processes are appropriately in place and effectively performed.
3. The Audit Committee is to determine the scope of the investigation and the audit plans for the external auditor and internal auditor that are in accord, when investigating the financial transactions.
4. The Audit Committee is responsible for the selection and proposal of the Company's auditor and his compensation to the Board of Directors. The decision for appointment must come from the Shareholder Meeting.
5. The Audit Committee must consider the disclosure of corporate information regarding to related-party transactions or transactions inducing conflicts of interest with all due accuracy and completeness.
6. The Audit Committee is responsible for investigating whether the activities of the Company conform to all laws pertaining to securities and the stock exchange, the regulations of the Stock Exchange of Thailand, and the laws relevant to the Company's business.
7. The Audit Committee is responsible for other matters assigned to it by the Board of Directors and agreed by the Audit Committee itself. Examples include the reviews of financial management and risk management policies, the reviews of the Company's operation in accordance with the executive business ethics and the review, in concert with the Company's executive, of significant transactions that, as enforced by the laws, must be presented to the public, such as the executive reports and analyses.
8. The Audit Committee must organize a report on the activities of the Audit Committee, signed by the Chairman of the Audit Committee, which must be included in the Company's Annual Report. The contents of the report include the following:
  - (a) The Committee's opinions on the process of producing and information disclosure in the Company's financial reports, as to whether it is accurate, complete and reliable.
  - (b) The Committee's opinions on the adequacy of the Company's internal control system.
  - (c) The Committee's rationale for its confidence, such that it's appropriate to continue to appoint the current Company's auditor for another period.
  - (d) The Committee's opinions on the conformance of the Company's operations

to all laws pertaining to securities and the stock exchange, the regulations of the Stock Exchange of Thailand, and the laws relevant to the Company's business.

- (e) Any other matters that the Committee considers appropriate to inform the Shareholders and general investors, which do not exceed the scope of authority and responsibilities of the Committee assigned by the Board of Directors.

## Nomination of Directors and Committee Members and remuneration setting ●

### A) The Board of Directors

The Company does not set up a Nomination Committee for the purpose of Board Member selection. Nevertheless, the Company has established guidelines and criteria for such selection process. The Board of Directors will determine qualified persons to become its members, based on their abilities, experiences, vision and reliability. The Company's Articles of Association state that one third of the Director positions must become vacant each year in the annual Shareholder General Meeting. In order to re-elect the Directors, whose terms have expired, the proposal must be approved in the Shareholder Meeting. The Articles also state the guidelines for the Shareholder Meeting to nominate the Company's Directors.

#### Selection criteria of The Board of Directors as followed:

1. Each Shareholder has one vote for each share.
2. Each Shareholder may exercise all his votes, as determined in (1), to elect one nominee or more to become Director(s). However, each Shareholder may only exercise equal vote for each nominee, if he wishes to elect more than one nominee.
3. The nominees who receive most votes, in order, will be elected to the Director positions. The number of the elected Directors is equal to the number of the vacant positions. In the event that the number of nominees receiving sufficient votes to be elected is more than the number of vacant position, due to equal exercised votes, the Chairman of the Board is granted the decisive vote.

In the event of Director positions becoming vacant due to other reasons than the expiry of their term of office, the Board of Directors is to appoint persons with proper qualities and no prohibited characteristics, as mandated by the Public Companies Act, to fill the vacant positions for the remaining of the term, unless the remaining period of the term is shorter than 2 months. The resolution to appoint the replacing Directors for the remaining term, must come from at least 75% of votes from the remaining Directors.

## B) The Audit Committee

The Board of Directors is responsible for nominating at least 3 Directors to join the Audit Committee. The Committee members will be selected from the Company's Independent Directors with appropriate qualities, as guided by the laws pertaining to securities and stock exchanges, including the announcement, rules and regulations of the Stock Exchange of Thailand, mandating the qualities and scope of authority of the Audit Committee. In addition, at least one of the Audit Committee members must have background in accounting and finance.

In addition, the Audit Committee is appointed by the resolution from the Shareholder Meeting, with 2-year term. The Committee's member whose term of office has ended may be reinstated.

### Selection criteria of Independent Director

An Independent Director must possess the following qualities:

- 1) An Independent Director holds of no more than 5% of the total voicing shares of companies, proprietary companies, subsidiary companies, associated companies or juristic persons with potential conflicts of interest.
- 2) An Independent Director is not an employee, an advisor regularly receiving salary, or an executive of companies, proprietary companies, subsidiary companies, associated companies or juristic persons with potential conflicts of interest.
- 3) An Independent Director is not, by blood or by law, a parent, a spouse, a sibling, a child or a spouse of a child of the an Executive, a Major Shareholder, a person with authority of control, or a person who may become an Executive or may gain authority of control, of the Company or the subsidiaries.
- 4) An Independent Director has no business relationship to companies, proprietary companies, subsidiary companies, associated companies or juristic persons with potential conflicts of interest, in such manner that may prevent him from freely exercising his judgment. He also does not possess any other characteristics that limit his freedom of opinion on the Company's operation.

### Setting up remuneration for Directors and Members of the Audit Committee

The Company has set a transparent policy to compensate all the Directors with remunerations and other benefits that are fair for their responsibilities and contributions. The Chairman of the Board authorized the remunerations to be paid to the Directors in 2013 to be no greater than 1.5 million Baht, to be same the 2012 remuneration by determining from the remuneration generally paid in the same industry.

## A) Directors' remunerations as followed.

| Board Members              | Positions                                                 | Remunerations<br>(Baht per year) |        |
|----------------------------|-----------------------------------------------------------|----------------------------------|--------|
|                            |                                                           | 2012                             | 2013   |
| Mr. Virat Chinprapinporn   | Chairman of the Board                                     | 60,000                           | 45,000 |
| Mr. Surapol Satimanont     | Director / Independent and<br>Chairman of Audit Committee | 45,000                           | 60,000 |
| Mr. Wanchai Mekasut        | Director / Independent and Audit Committee                | 60,000                           | 60,000 |
| Mr. Preecha Jenthanavijit  | Director / Independent and Audit Committee                | 60,000                           | 60,000 |
| Mrs. Naowanit Silaprarat   | Director and Managing Director                            | 45,000                           | 60,000 |
| Mrs. Naowarat Suthamjariya | Director                                                  | 60,000                           | 60,000 |

## B) The Audit Committee as followed.

| Board Members             | Positions                                                 | Remunerations<br>(Baht per year) |        |
|---------------------------|-----------------------------------------------------------|----------------------------------|--------|
|                           |                                                           | 2012                             | 2013   |
| Mr. Surapol Satimanont    | Director / Independent and<br>Chairman of Audit Committee | 45,000                           | 60,000 |
| Mr. Wanchai Mekasut       | Director / Independent and<br>Audit Committee             | 60,000                           | 60,000 |
| Mr. Preecha Jenthanavijit | Director / Independent and<br>Audit Committee             | 60,000                           | 60,000 |

Note: The Directors and the Members of the Audit Committee were paid 15,000 Baht for every meeting they attended.

### C) Remunerations to management, managing officers, and staff

#### Monetary remunerations

The company has set the criteria on the remunerations which include salary, living expenses, wages, allowances, provident fund and bonus. The company has compared its remuneration structure with those of the companies in the same industry and has developed the key performance indicators so that the remunerations can be fair and transparent including being good incentives.

#### Non-monetary remunerations

The company has placed great emphasis on the human resource of the company. As such, the company has developed and encouraged the bond and good attitude of the staff toward the company. The company has offered the staff the accident insurance for those with operational risks, medical care (annual check up), provident fund, accommodation and public utility for those who work in the provincial areas.

### D) Policy on dividend payment

The Company and its subsidiaries follow a policy that limits the rate of annual dividend payment to not more than 30% of the Company's net profit. Less corporate income tax. The consideration factors for dividend payment must include the Company's performance and financial position, its liquidity, expansion plan and other factors relevant to the Company's management. The dividend payment must be approved by the resolution of the shareholder's meeting, as appropriately agreed by the Board of Directors.

## Profile of Executive Directors and Management Team

### Profile of Executive Directors and Management Team

**Name - Last name** : Mr. Virat Chinprapinporn  
**Age** : 54 Years  
**Position** : President Director / Authorized signatory  
**% of Shareholding** : 21.01 %  
**Relationship** : Husband of Mrs.Naowanit Silaprarat  
**Education** : M.B.A. in Marketing of City University, USA  
 Director Accreditation Program DAP and DCP 40/2004  
 by Thai Institute Of Directors (IOD)



**Position in other listed companies** : 1

**Position in non - listed companies** : 11

|                           |   |                |           |                                    |
|---------------------------|---|----------------|-----------|------------------------------------|
| <b>Working Experience</b> | : | 2011 – Present | Director  | Nicena Property Co.,Ltd.           |
|                           |   | 2007 – Present | Director  | Yamu Property Development Co.,Ltd. |
|                           |   | 2003 – Present | Director  | Ratchada Power Plus Co.,Ltd.       |
|                           |   | 2003 – Present | Director  | Car 2 Buy Co.,Ltd.                 |
|                           |   | 2002 – Present | President | Ratchthani Leasing Plc.            |
|                           |   | 1994 – Present | Director  | Kuylin Pang-nga Co.,Ltd.           |
|                           |   | 1993 – Present | Director  | Chaleamcheep Co.,Ltd               |
|                           |   | 1993 – Present | Director  | Aom Noi Hattasat Co.,Ltd.          |
|                           |   | 1992 – Present | Director  | Phowatchara Co.,Ltd.               |
|                           |   | 1990 – Present | President | Baan Rock Garden Plc.              |
|                           |   | 1989 – Present | Director  | Chucheeep Housing Land Co.,Ltd.    |
|                           |   | 1987 – Present | Director  | City Wood Co.,Ltd.                 |
|                           |   | 1987 – Present | Director  | City and Associate Co.,Ltd.        |

Name - Last name : Mr. Surapol Satimanon

Age : 53 Years

Position : Director / Independent /  
Chairman of Audit Committee

% of Shareholding : 1 %

Relationship : No

Education : M.B.A. of Webster University, U.S.A  
Master of Law , Howard University, U.S.A  
Master of Law , Southern Methodist University , U.S.A  
Director Accreditation Program DAP and DCP 40/2004  
by Thai Institute Of Directors (IOD)

Position in other listed companies : 2

Position in non - listed companies : 5

Working Experience :

|                |                             |                                  |
|----------------|-----------------------------|----------------------------------|
| 2011 – Present | Director                    | TranSun (Thailand) Co., Ltd.     |
| 2011 – Present | Director                    | N U I International Co., Ltd.    |
| 2011 – Present | Director                    | Fhasaihaadngam Co., Ltd.         |
| 2008 – 2011    | Executive Vice President    | Export – Import Bank of Thailand |
| 2007 – Present | Audit Committee             | 2S Metal Plc.                    |
| 2005 – Present | Chairman of Audit Committee | Baan Rock Garden Plc.            |
| 2004 – Present | Audit Committee             | Ratchthani Leasing Plc.          |
| 1997 – Present | Lecturer                    | Ramkhamhaeng University          |



## Profile of Executive Directors and Management Team

Name - Last name : Mr. Wanchai Mekasut

Age : 58 Years

Position : Director / Independent /  
Audit Committee

% of Shareholding : No

Relationship : No

Education : Bachelor of Business Administration, Assumption  
Director Accreditation Program DAP 97/2009  
by Thai Institute Of Directors (IOD)



Position in other listed companies : No

Position in non - listed companies : 2

Working Experience : 2009 – Present Audit Committee

Baan Rock Garden Plc.

1999 – Present Authorized signatory Executive Vice President

Khaoyoi Furnitech Co.,Ltd.

1994 – Present Director and authorized signatory & Executive  
Vice President Furni Thai Co.,Ltd

Name - Last name : Mr. Preecha Jenthanavijit

Age : 52 Years

Position : Director / Independent /  
Audit Committee /  
Authorized signatory

% of Shareholding : No

Relationship : No

Education : Bachelor of Law Ramkhamhaeng University Barrister at Law  
Director Accreditation Program DAP 40/2005  
by Thai Institute Of Directors (IOD)

Position in other listed companies : No

Position in non - listed companies : No

Working Experience : 1990 – 8/2011 Director Baan Rock Garden Plc.



## Profile of Executive Directors and Management Team

**Name - Last name** : Mrs. Naowanij Sillaprarat

**Age** : 53 Years

**Position** : Director / Managing Director /  
Authorized signatory

**% of Shareholding** : 5.06 %

**Relationship** : Wife of Mr.Virat Chinprapinporn

**Education** : Bachelor of Economics University of the Thai Chamber of Commerce  
Bachelor of Law Kasem Bundit University  
Master of Faculty of Political Science Ramkhamhaeng University  
Director Accreditation Program DCP 54/2005  
by Thai Institute Of Directors (IOD)



**Position in other listed companies** : No

**Position in non - listed companies** : 9

**Working Experience** :

- 2007 – Present Director Yamu Property Development Co.,Ltd
- 1991 – Present Director Rock garden Beach Co.,Ltd
- 1991 – Present Director Kuylin Pang-nga Co.,Ltd
- 1990 – Present Director and authorized signatory & Managing Director  
Baan Rock Garden Plc.
- 1990 – Present Director Phukao Huachang Pang-nga Co.,Ltd
- 1990 – Present Director C & CN Group Co.,Ltd
- 1989 – Present Director Chuchee Northern Group Co.,Ltd
- 1989 – Present Director CS Real Estate Co.,Ltd
- 1988 – Present Director Chuchee Housing Land Co.,Ltd

**Name - Last name** : Mrs. Naowarat Suthamjariya

**Age** : 51 ปี

**Position** : Director / Authorized signatory

**% of Shareholding** : No

**Relationship** : Sister of Mrs. Naowanit Silaprarat



**Education** : Master of Business Administration in International Business,  
Schiller International University UK  
Master of International Management in Hotel and Tourism Management,  
Schiller International University UK  
Director Accreditation Program DAP 40/2005  
by Thai Institute Of Directors (IOD)

**Position in other listed companies** : No

**Position in non - listed companies** : 2

**Working Experience** : 1990 – Present Director Baan Rock Garden Plc.  
1990 – Present Director C & CN Group Co.,Ltd  
1987 – Present Director Rock Garden Group Co.,Ltd.

## Profile of Executive Directors and Management Team

Name - Last name : Miss Waraporn Tanrin

Age : 35 Years

Position : Department Head of Corporate Accounting

% of Shareholding : No

Relationship : No

Education : Bachelor of Management Administration (Account)  
Srinakharinwirot University

Position in other listed companies : No

Position in non - listed companies : No

Working Experience : 2/2011 – Present Department Head of Corporate Accounting  
Baan Rock Garden Plc.  
2010 – Present Acting: Department Head of Corporate Marketing  
& Administration  
Baan Rock Garden Plc.

Name - Last name : Miss Sittima Chanjirapong

Age : 52 Years

Position : Department Head of Corporate Finance

% of Shareholding : No

Relationship : No

Education : Bachelor of Faculty of Business Administration  
Ramkhamhaeng University

Position in other listed companies : No

Position in non - listed companies : No

Working Experience : 2007 – Present Department Head of Corporate Finance

Baan Rock Garden Plc.

2005 – 2007 Purchasing Manager Baan Rock Garden Plc.

2004 – 2005 Purchasing Manager Baan Rock Garden Co.,Ltd

2000 – 2003 Finance Manager Rock Garden Group Co.,Ltd

Name - Last name : Miss Nattaya Sukkhang

Age : 32 Years

Position : Department Head of Marketing & Service

% of Shareholding : No

Relationship : No

Education : Bachelor of Business Administration Bangkok University  
Master of Business Administration Program Naresuan University

Position in other listed companies : No

Position in non - listed companies : No

Working Experience : 9/2013 – Present Department Head of Marketing & Service  
Baan Rock Garden Plc.  
2005 - 2013 Marketing Baan Rock Garden Plc.

## Present Projects

Table Existing Projects: BROCK's Current Real Estate (Houses and Land) Projects

### 1) Samuthpra-kar

| Projects                                 | Locations                              | Propt<br>Type          | Project<br>Start<br>Date | Opening<br>Date | Investment<br>Value<br>(Bt. million) | Progress                |                      | Price<br>Range<br>(Bt.<br>million) | Project<br>Size<br>(Rai) | Project Total |                              | Remaining Units<br>(As of Dec.<br>31, 2013) |                              | Sold Units (As of Dec. 31, 2013) |               |                      |   |
|------------------------------------------|----------------------------------------|------------------------|--------------------------|-----------------|--------------------------------------|-------------------------|----------------------|------------------------------------|--------------------------|---------------|------------------------------|---------------------------------------------|------------------------------|----------------------------------|---------------|----------------------|---|
|                                          |                                        |                        |                          |                 |                                      | Invest-<br>ment<br>Paid | %<br>Comple-<br>tion |                                    |                          | Units         | Sales<br>Value<br>(Bt. mil.) | Units                                       | Sales<br>Value<br>(Bt. mil.) | Transferred                      |               | To be<br>transferred |   |
|                                          |                                        |                        |                          |                 |                                      |                         |                      |                                    |                          |               |                              |                                             |                              |                                  |               |                      |   |
| Baan Rock<br>Garden Air-<br>port Phase 1 | Onnuch-L<br>adkabang<br>Road<br>Amphur | 2-storey<br>townhouses | Jun. 2007                | Aug. 2007       | 136.44                               | 136.44                  | 100.00               | 1.57-1.84<br>1.80-2.63             | 11-3-60.7                | 117           | 242.26                       | -                                           | -                            | 117                              | 210.96        | -                    | - |
|                                          |                                        | 2-storey<br>duplexes   |                          |                 |                                      |                         |                      |                                    |                          | 12            |                              | 3                                           | 7.47                         | 9                                | 23.83         | -                    | - |
|                                          |                                        | <b>Total</b>           |                          |                 |                                      |                         |                      |                                    |                          | <b>129</b>    |                              | <b>3</b>                                    | <b>7.47</b>                  | <b>126</b>                       | <b>234.79</b> | -                    | - |
| Baan Rock<br>Garden Air-<br>port Phase 2 | Bangsothong<br>Samuthpra-<br>karn      | 2-storey<br>duplexes   | Jun. 2007                | Mar. 2008       | 213.60                               | 213.60                  | 100.00               | 2.35-2.6<br>3.25-3.6               | 17-3-14                  | 102           | 392.79                       | 70                                          | 182.00                       | 32                               | 81.74         | -                    | - |
|                                          |                                        | 2-storey<br>detached   |                          |                 |                                      |                         |                      |                                    |                          | 35            |                              | 25                                          | 90.00                        | 10                               | 39.05         | -                    | - |
|                                          |                                        | <b>Total</b>           |                          |                 |                                      |                         |                      |                                    |                          | <b>137</b>    |                              | <b>95</b>                                   | <b>272.00</b>                | <b>42</b>                        | <b>120.79</b> | -                    | - |
| <b>Total</b>                             |                                        |                        |                          |                 |                                      |                         |                      |                                    |                          | <b>266</b>    | <b>635.05</b>                | <b>98</b>                                   | <b>279.47</b>                | <b>168</b>                       | <b>355.58</b> | -                    | - |

## 2) Phuket

| Projects                          | Locations                                         | Property Types         | Project Start Date | Opening Date | Investment Value (Bt. million) | Progress        |              | Price Range (Bt. mil.) | Project Size (Rai) | Project Total |                       | Remaining Units (As of Dec. 31, 2013) |                       | Sold Units (As of Dec. 31, 2013) |                       |      |                       |
|-----------------------------------|---------------------------------------------------|------------------------|--------------------|--------------|--------------------------------|-----------------|--------------|------------------------|--------------------|---------------|-----------------------|---------------------------------------|-----------------------|----------------------------------|-----------------------|------|-----------------------|
|                                   |                                                   |                        |                    |              |                                | Investment Paid | % Completion |                        |                    | Units         | Sales Value (Bt.mil.) | Units                                 | Sales Value (Bt.mil.) | Units                            | Sales Value (Bt.mil.) | Unit | Sales Value (Bt.mil.) |
| Baan Rock Garden Bypass 3         | Phuket Bypass Road. (Baan Tungka -BaaSa pum Road) | Duplexes               | Mar. 2005          | Nov. 2005    | 102.00                         | 102.00          | 100.00       | 1.49-3.2               | 14-1-56.7          | 54            | 242.26                | -                                     | -                     | 54                               | 84.60                 | -    |                       |
|                                   |                                                   | 1-storey houses        |                    |              |                                |                 |              |                        |                    | 9             |                       | -                                     | -                     | 9                                | 22.14                 | -    |                       |
|                                   |                                                   | 2-storey houses        |                    |              |                                |                 |              |                        |                    | 17            |                       | -                                     | -                     | 17                               | 46.03                 | -    |                       |
|                                   |                                                   | 2.5-storey home office |                    |              |                                |                 |              |                        |                    | 10            |                       | -                                     | -                     | 10                               | 27.54                 | -    |                       |
|                                   |                                                   | Total                  |                    |              |                                |                 |              |                        |                    | 90            |                       | -                                     | -                     | 90                               | 180.31                | -    |                       |
| Baan Rock Garden Bypass 4         | near Chalem praktat Road) Amphur Muang            | Duplexes               | May. 2005          | Jul. 2006    | 93.94                          | 93.94           | 100.00       | 1.49-3.2               | 11-2-38.3          | 52            | 166.87                | -                                     | -                     | 52                               | 84.68                 | -    |                       |
|                                   |                                                   | 1-storey houses        |                    |              |                                |                 |              |                        |                    | 6             |                       | -                                     | -                     | 6                                | 14.86                 | -    |                       |
|                                   |                                                   | 2-storey houses        |                    |              |                                |                 |              |                        |                    | 9             |                       | -                                     | -                     | 9                                | 26.23                 | -    |                       |
|                                   |                                                   | 2.5-storey home office |                    |              |                                |                 |              |                        |                    | 15            |                       | 1*                                    | 2.90                  | 14                               | 38.20                 | -    |                       |
|                                   |                                                   | Total                  |                    |              |                                |                 |              |                        |                    | 82            |                       | 1                                     | 2.90                  | 81                               | 163.97                | -    |                       |
| บ้านร็อคการ์เด้น บายพาส 6 (เฟส 1) | Phuket                                            | 2-storey detached      | Aug. 2008          | Aug. 2009    | 175.28                         | 171.77          | 98.00        | 4.29-5.20              | 29-2-10.22         | 49            | 224.13                | 8                                     | 35.36                 | 32                               | 148.56                | 9    | 40.21                 |
|                                   |                                                   | Total                  |                    |              |                                |                 |              |                        |                    | 49            | 224.13                | 8                                     | 35.36                 | 32                               | 148.56                | 9    | 40.21                 |
| Total                             |                                                   |                        |                    |              |                                |                 |              |                        |                    | 221           | 571.31                | 9                                     | 38.26                 | 203                              | 492.84                | 9    | 40.21                 |

\* Baan Rock Garden Bypass 4 home office value 1 unites .ti's location the office of Baan Rock Garden Pcl., Phuket

## Revenue Structure

The records highlight the Company's revenues, classified by project development, from 2011 to 2013 as follows:

**Table: Revenue Structure of BROCK and Subsidiaries, Classified by Project Development**

| Revenue Types                                                                                                                                      | Generating Projects        | 2011<br>Total          |        | 2012<br>Total          |        | 2013<br>Total          |        |
|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------|--------|------------------------|--------|------------------------|--------|
|                                                                                                                                                    |                            | Revenues<br>(Bt. mil.) | %      | Revenues<br>(Bt. mil.) | %      | Revenues<br>(Bt. mil.) | %      |
| 1. Revenues from development projects                                                                                                              |                            |                        |        |                        |        |                        |        |
| 1.1 Sales of semi-detached houses, detached houses , 2 storey houses and home office building (1 unit in 2011, 4 units in 2012 and 2 unit in 2013) | Baan Rock Garden Bypass 3  | 3.09                   | 3.39   | 10.79                  | 8.73   | 5.40                   | 7.71   |
| 1.2 Sales of semi-detached houses, detached houses, 2 storey houses and home office building (2 units in 2011, 5 units in 2012)                    | Baan Rock Garden Bypass 4  | 5.05                   | 5.54   | 13.50                  | 10.92  | -                      | -      |
| 1.3 Sales of 2 storey houses (8 units in 2011, 14 units in 2012 and 4 units in 2013)                                                               | Baan Rock Garden Bypass 6  | 35.08                  | 38.49  | 61.42                  | 49.67  | 23.10                  | 32.98  |
| 1.4 Sales of town houses and semidetached houses (9 units in 2011, 3 units in 2012 and 3 units in 2013)                                            | Baan Rock Garden Airport 1 | 15.63                  | 17.15  | 5.51                   | 4.46   | 7.63                   | 10.89  |
| 1.5 Sales of semi-detached houses and 2 storey houses (10 units in 2011, 9 units in 2012 and 9 units in 2013)                                      | Baan Rock Garden Airport 2 | 27.00                  | 29.63  | 27.22                  | 22.01  | 27.70                  | 39.55  |
| 2. Other Revenues                                                                                                                                  |                            | 5.28                   | 5.79   | 5.21                   | 4.21   | 6.21                   | 8.87   |
| Total Revenues                                                                                                                                     |                            | 91.13                  | 100.00 | 123.65                 | 100.00 | 70.04                  | 100.00 |

## Risk Factors

**1 . Business operation risks****1.1 Risks from slow down in economics**

In overall, the real estate sector declined due to several factors such as sluggish economy, political turmoil at the end of the year and higher household debt burdens, etc. With such factors, the loan approval of customers dropped and application rejection rose from 5% to 10%. Increasing household debts were caused by first-car scheme, credit card loan, and personal loan. Some customers were approved but credit lines were cut so the Company's target groups have not decided to purchase houses. Accordingly, the Company adjusted sales and marketing strategies and emphasized on developing projects in potential areas with economic growth. To maintain good operating performance and stable growth under fluctuating economic conditions in the last year, the Company delivered products satisfying customer needs and launched projects in potential areas.

**1.2 Risks from dependence on contractors and construction labors**

The Company does not own a subsidiary contractor; therefore, it has to hire contractors, along with labors. This poses some risks as the contractors may fail to complete the projects in time for the Company's delivery to the customers. To avert such risks, the Company has adopted an open auction, based on the project blueprint – (B.O.Q.) - for its contractor selection process. The Company's Project Construction Department will set a benchmark prices, then organize an open auction where interested contractors can equally participate. The Project Construction Department will then review all the submitted proposals for details of labor and material costs in order to determine which contractors offer the most cost effective proposal. The Company always requires that selected contractor sign work agreement with the Company, with the condition that the Company can fine the contractor in case of construction delay, and also claim for any damages caused by the contractor. In addition, the contractor must provide certain amount of deposits as guarantee of the work quality. Should the contractor abandons the unfinished project, the Company will take that amount of deposit, combined with the unpaid balance of the contract amount, to select new a contractor to continue the construction of the project to completion.

Furthermore, the Company generally minimizes the risk of dependence on any individual contractors by dividing the construction work among a number of contractors. To ensure the quality of contractors' construction as required. The work schedules were allocated more effectively to support contractors' liquidity, so that they can all meet the requirement, which will enable the Company to deliver the house to the consumer as planned.

### 1.3 Risks from joint venture

By the resolution from the Shareholder's General Meeting, held on April 6th, 2007, the Company was authorized to take possession of all assets and liabilities of Navathep, Co., Ltd., (Navathep), a subsidiary in which the Company held 100% shares, and to liquidate Navathep's account. The decision was made to aid the Company's expansion and to improve management effectiveness. The transfers of assets and liabilities from Navathep took place on June 29th, 2007, at the book value. The assets included a 500-rai vacant coastal land in Amphur Talang, Phuket, on which the Company planned to develop a yacht marina, along with a condominium, a luxurious beach hotel and a resort. The Company planned to develop the project on this land under a joint venture with a group of foreign investors. On June 2nd, 2007, the Company purchased 50% of common shares of Yamu Property Development, Co., Ltd., which amounted to Bt. 1.0 million, in order to participate in the joint venture with a group of Swedish investors.

As a result of this joint venture, the Company bore the risk of losing the opportunity to develop its own project on this 500-rai piece of coastal land. However, the land is the Company's property, with no debt obligation. As such, the Company was not bound by any obligation, even in the case that the intended project couldn't be developed.

### 1.4 Risk from change in rules, regulations or laws related to real estate business

The possible risks that may occur include limitation of area usage for some types of buildings, height limitation area, setback distance, including dispute with owners of adjacent lands, complaint during construction or land expropriation for public utility construction. The risks cover from changed laws, notifications and regulations after the company has land ownerships and is requesting for approval of related authorities. However, the Company has planned to reduce such risks. Before a project development, legal limitations and regulations of related authorities which may affect the project will be checked. However, these laws have no retrospective effects, thus the Company's current projects will continue to progress as planned. Moreover, the "Baan Rock Garden Bypass 6" project, which comprises of 10 phases, that the Company started to develop in 2007 on Phuket Bypass Road, is expected to generate sufficient income for the Company for the next 3 – 5 years. The project has already been permitted to be built by Phuket's local authority. In addition, the Company also plans to develop "Baan Rock Garden Airport, Phase 3" in Samut Prakarn province, near the Suvarnabhumi Airport, as a continuation from the "Baan Rock Garden Airport, Phase 1-2," which is currently in the process of document submission for approval by the authority. The Company plans to develop all these new projects by taking all the new laws into consideration, as well as regularly studying real estate market conditions. The Company believes it will be able to expand its operations in compliance with all the laws and regulations.

## 2. Production and project construction risk

### 2.1 Risk from price fluctuation of construction materials

With new real estate supply by developers as well as high oil prices, construction material prices rose, adversely affecting construction project costs. Nevertheless, the company has made contracts with contractors regarding all construction materials, covering foundation – roof materials, irons and toilet ware, of the projects such as Baan Rock Garden By-pass 3 project - Baan Rock Garden By-pass 6 phase 1, Baan Rock Garden Airport phase 1 - phase 2, including forthcoming projects which are Baan Rock Garden By-pass 6 phase 2-10 and Baan Rock Garden Airport phase 3, including other projects in Bangkok and up-countries. These material costs were included in employment contracts in advance. Hence, the company is able to reduce its risks from any increase in construction material prices or uncertain conditions of construction materials. The company is able to manage such risks at a certain level and forecast expenses in advance. The company then adjusts costs in a timely manner so such changes will not affect its profit.

## 3. Financial risks

### 3.1 Risks associated with the Company's cash flow

Since 2003, the Company has relied on its major shareholders and/or related company to provide a financial support. Some of these funds were charged interests, while the others were not. This was to follow the conservative financial management policy of the Company in the early days of its real estate development business. However, for the Company's future development projects, namely "Baan Rock Garden Airport, Phase 2" and "Baan Rock Garden Airport, Phase 3," with combined investment of Bt. 800 million and "Baan Rock Garden Bypass 6" with the project value of over 2,400 million Baht, and the investment in venture capital organization for develop land bank 500 Rai in Phuket which is using a lot of fund. The Company may bear the risks of cash flow, as it is likely to require external loans from financial institutions. This means the Company may create liabilities that charges interests in the future.

Nevertheless, the Company already takes into account the current financial structure and cash flow from operation that must be reserved for the necessary liabilities. The Company also has good relationship with a number of financial institutions that the Company currently contacts for the credits to its consumers. Additionally, the Company also owns many assets that may be used as collaterals, such as undeveloped land. As such, the Company should be able to minimize the impacts to its liquidity and cost of funds, and it should be able to expand in the future.

#### 4. Management risks

##### 4.1 Risks from Company's directors taking executive positions

The Company is currently under the management of the Silaprarat family, with Mr. Virat Chinprapinporn, an associate to the family, as the President, and Mrs. Naowanit Silaprarat as the Managing Director. The Company bears a certain level of risk, as both persons are, jointly, authorized Directors with authority to execute all of the Company's financial and legal transactions. In order to promote an adequate balance of authority, the Company operates under the following guidelines:

1. The Company appointed Audit Committee, comprising of 3 Independent Directors, to monitor its business conduct.
2. The Executive Board and the Managing Director have no authority over connected transactions, acquisition or sale of the Company's important assets, and any transactions that may be a potential for conflict of interest involving the Company and its subsidiaries. If such transactions are necessary, they must be proposed for approval to the Company's Board of Directors or, (as appropriate), in the Shareholders Meeting.
3. The Company has established an Internal Audit Unit, comprising external individuals provided with appropriate rights to monitor the Company's operation. They report directly to the Audit Committee. The Internal Audit Unit conducts a review, with the Audit Committee, of the Company's operation every quarter, ensuring that it has effective and comprehensive internal control system and internal audit process. *(More details are described in Section 2, topic "Internal Control")*

## Details of Related Transaction

## Details of Related Transaction

| Related Parties<br>(Person / Juristic<br>Person) with Po-<br>tential Conflicts                             | Nature of Relationship                                                                                                                                                                                                                                                                                                                                                                     | Transactions /<br>Agreement                              | (Million Baht)  |                 | Pricing and Conditions                                                                                                                                                                                                                                                                                                                                                                 | Necessity and Rational of<br>Transactions                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                            |                                                          | Dec 31,<br>2012 | Dec 31,<br>2013 |                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| a) Baan Rock<br>Garden, Plc.,<br>Ltd. (BROCK)<br>and Rock<br>Garden<br>Group, Co.,<br>Ltd. (ROCK<br>GROUP) | - ROCK GROUP is an associate<br>company of BROCK and its subsid-<br>iaries, with common Executives<br>and Major Shareholders.<br><u>- Common Executives and Major<br/>Shareholders:</u><br>1. Mr. Virat Chinprapinorn: Holding<br>122,500 shares of ROCK GROUP<br>(0.61% of paid-up registered capital)                                                                                    | 1. Office rental<br>1.1 Office rental for<br>Head Office | 1.35            | 1.41            | - BROCK is currently renting<br>3-floor space from ROCK GROUP,<br>spanning 690 square meters, at<br>170 Baht per-square-meter rental<br>rate per month (increased from<br>150 Baht per square-meter rental<br>rate per month since May1,2008),<br>Total amount is 117,300 Baht per<br>month. The contract lasts 1<br>year, starting January 1, 2012,<br>and can be renewed every year. | - The current rental rate of 170<br>Baht per square meter per month<br>that the Company pays ROCK<br>GROUP is comparable to the<br>rental of nearby office buildings.                                                                                                                                                                                                                                                                 |
|                                                                                                            | 2. Mrs. Naowanit Silaprarat: Holding<br>550,000 shares of ROCK GROUP<br>(2.75% of paid-up registered capital)                                                                                                                                                                                                                                                                              | 1.2 Service charge                                       | 0.68            | 0.71            | - BROCK pays ROCK GROUP for<br>service charge spanning 690<br>square meters, at 85.60 Baht per-<br>square meter rental rate per<br>month (increased from 74.90<br>Baht per square meter rental rate<br>per month since May 1, 2008)<br>Total amount is 59,064 Baht per<br>month. This service is including<br>water, security guard, and other<br>services.                            | - The service charge rate of 85.60<br>Baht per square meter per<br>month is comparable to the<br>rate charged by other office<br>buildings in the same area.                                                                                                                                                                                                                                                                          |
|                                                                                                            | 3. Mrs. Naowarat Suthamjariya:<br>Holding 100,000 shares of ROCK<br>GROUP (0.50% of paid-up registered<br>capital)<br><u>- Common Shareholders:</u><br>1. Mrs. Nongnoi Silaprarat: Holding<br>9,072,500 shares of ROCK GROUP<br>(45.36% of paid-up registered capital)<br>2. Mrs. Naowarui Silaprarat: Holding<br>7,980,000 shares of ROCK GROUP<br>(39.90% of paid-up registered capital) | 1.3 Electricity<br>charge                                | 0.31            | 0.29            | - ROCK GROUP installed an elec-<br>trical meter and charged the fee<br>is based on actual usage.                                                                                                                                                                                                                                                                                       | - The fee is based on actual usage<br>and rate charged by other off<br>ice buildings in the same area<br><br>* The Audit Committee considers<br>the rental and the service charge<br>rational. Furthermore, after the<br>installation of the electrical meters,<br>so that the Company can pay per<br>actual usage just as other tenants<br>do, the Audit Committee also de-<br>termines that the electrical charge<br>is reasonable. |

| Related Parties<br>(Person / Juristic<br>Person) with Potential<br>Conflicts                                                                    | Nature of Relationship                                                                             | Transactions /<br>Agreement                      | (Million Baht)  |                 | Pricing and Conditions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Necessity and Rational of<br>Transactions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------------------|-----------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                 |                                                                                                    |                                                  | Dec 31,<br>2012 | Dec 31,<br>2013 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| b) Baan Rock<br>Garden, Plc.,<br>Ltd. (BROCK)<br>and Executives/<br>Shareholders/<br>Other persons<br>with potential<br>conflict of<br>interest | The person with potential<br>conflict of interest is hereby<br>identified as Mr. Virat Chinraporn. | 1. Estimated<br>accrued interest<br>on this loan | 6.62            | 6.62            | <p>- BROCK was not to pay for the cost of this fund in cash. Instead, a vacant land of equal value had to be transferred to the lender by November 30, 2006. Hence the Company must transfer its land of 5 rai in size, located in T. Koh-Kaew, A. Muang, Phuket, valued at 6.62 million Baht, to person with potential conflict. The land was equal in value to the loan interest rate of 2.21% and 3.93% per year.</p> <p>* The Audit Committee perceived that the loan transaction provided the Company with financial advantage, compared to loans that the Company would, otherwise, have borrowed from elsewhere. The transfer of its land as repayment had no effect on sales of the Company's projects. Hence the transaction was necessary and sensible.</p> | <p>- The Company required such loan from Mr. Saksom Jamornnam and Mrs. Nongnoi Silaparat to use as its working capital. The transaction was considered to be beneficial to the Company's financial status, as the cost of fund was equivalent to an interest rate of 2.21% and 3.93% per year. October 5, 2010 Mr. Saksom Jamornnam and Mrs. Nongnoi Silaparat get make a book transfer the right in right of real estate ownership modifies aforementioned to Mr. Virat Chinraporn. The loan was paid in full amount as of December 31, 2012. And end of December 31, 2013 The Company has not transferred the land to the lender.</p> |

## Details of Related Transaction

| Related Parties<br>(Person / Juristic<br>Person) with Potential<br>Conflicts         | Nature of Relationship                                                                                                                                                                 | Transactions /<br>Agreement                    | (Million Baht)  |                 | Pricing and Conditions                                                                                                                                                                                                                                                                                                   | Necessity and Rational of<br>Transactions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|-----------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                      |                                                                                                                                                                                        |                                                | Dec 31,<br>2012 | Dec 31,<br>2013 |                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| C. between Baan<br>Rock Garden<br>PCL. and Ya-<br>moo Property<br>Company<br>Limited | - Yamu Property Company<br>Limited is the joint venture be-<br>tween Baan Rock Garden PCL.<br>and Swedish Group whereby each<br>party hold 50.0% of the paid-up<br>registered capital. | Investment in joint<br>venture                 | 1.00            | 1.00            | - to purchase common shares of<br>Yamu Property Development<br>Limited (joint venture) in order to<br>establish the property develop-<br>ment business at the rate of 50%<br>of paid-up registered capitals and<br>the Swedish Group holds<br>common shares in the same<br>amount (50% of paid-up<br>registered capital. | -This belongs to 2 groups of shareholders.<br>When considering the context, it is found<br>that the other party has power in setting<br>the monetary policy and operations<br>especially in the areas of fund raising and<br>marketing whereby the company is<br>jointly responsible for the abovementioned matters. Under the equity method,<br>the company shall record the initial<br>interest in joint venture on par value and<br>adjust for any changes under the<br>investment in joint venture-net with<br>profit and loss sharing and operation<br>sharing with portion of joint venture<br>whereby this shall benefit Baan Rock<br>Garden PCL. in the future. December 31,<br>2013 the company to know the chair<br>losses in the business .<br>-The Audit Committee has approved the<br>transaction by stating that such transa-<br>ction is found to be necessary, reasonable<br>and in accordance with relevant rules<br>and regulations specified in the law and<br>general accepted accounting principles. |
|                                                                                      |                                                                                                                                                                                        | <del>deduct</del> interest in<br>joint venture | (0.885)         | (1.00)          |                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                                                      |                                                                                                                                                                                        | Investment in joint<br>venture-net             | 0.115           | 0.00            |                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Related Parties<br>(Person / Juristic<br>Person) with Potential<br>Conflicts                                                  | Nature of Relationship                                                                                                                                                                                                                                                                                                                                                       | Transactions /<br>Agreement | (Million Baht)  |                 | Pricing and Conditions                                                                                                                                                                                  | Necessity and Rational of<br>Transactions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                              |                             | Dec 31,<br>2012 | Dec 31,<br>2013 |                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| C) Baan Rock<br>Garden, Plc.,<br>Ltd. (BROCK)<br>and Yamu<br>Property<br>Development<br>Company<br>Limited (Yamu<br>Property) | - Yamu Property is a venture<br>capital organization between<br>BROCK and Swedish investors.<br>BROCK hold shares 50% of<br>registered shares capital. (The<br>Swedish investors hold remaining<br>50% of registered shares capital.)<br>Less the share losses in the<br>business shares to trade exceed<br>part more than the price follows<br>an account of the investment | Long term loan              | 3.84            | 3.88            | No interest payment. (The other<br>side of shareholders (The Swedish<br>investors) Paid long term loan<br>3.84 million baht in which equal<br>amount for to Yamu Property<br>with no interest payment.) | <p>- BROCK lent 50% of longterm loan to Yamu Property amount 3 M without interest charge (50% remaining (3 M) was paid by Swedish investors) for working capital and project development of Yamu Property. This long term loan is financial supporting to related company with none charge interest of 2 sides of shareholder in the equal percentage that would be a benefit to BROCK in the future.</p> <p>- The company receives to know the share losses in the business shares to trade that have exceed amount more than the part gains and lose at a company exist in a company share to trade add by recording decrease money account loan to borrow the lengthy to the business share to trade , in order that , because of , a company considers that , a company has the responsibility , the responsibility in the business shares to trade aforementioned in proportion the investment</p> <p>* The Audit Committee reviewed this transaction and determined which transaction was necessary and reasonable.</p> |
|                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                              |                             | (0.00)          | (3.88)          |                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                              |                             | 3.84            | 0.00            |                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

## Details of Related Transaction

| Related Parties<br>(Person / Juristic<br>Person) with Potential<br>Conflicts | Nature of Relationship                                                                                                                                                                                                                                                                                                                                                                                      | Transactions /<br>Agreement | (Million Baht)  |                 | Pricing and Conditions                                                                                                                                                                                                                                                                                                                                                                              | Necessity and Rational of<br>Transactions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                             |                             | Dec 31,<br>2012 | Dec 31,<br>2013 |                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| D. between Baan<br>Rock Garden<br>PCL. and Ratch-<br>thani Leasing<br>PCL.   | <p>- Ratchthani Leasing PCL. is the related company and have the same directors and management which can be summarized as follows:</p> <p>1.Mr. Virat Chinprapinpon, holding 1,599,999 shares of Ratchthani PCL or accounting of 0.19% of paid-up registered capitals</p> <p>2.Mr. Surapol Satimanont, holding 1,666,663 shares of Ratchthani PCL or accounting of 0.20% of paid-up registered capitals</p> | 1. short-term investment    | 100.00          | 130.00          | <p>- this is the short-term deposits in the form of promissory notes with conditions to pay back at call and interest rate of 4.25-4.75% per annum (December 31, 2011 : 4.50%-4.75%per annum) as returns whereby this is the same condition that Ratchthani Leasing PCL. offers to their general customers. Therefore, this transaction is considered to be general transaction of the company.</p> | <p>- Such short-term investment is the deposit in the form of promissory notes with conditions to pay back at call and interest rate of 4.25-4.75% per annum (December 31, 2011 : 4.50%-4.75%per annum). This investment is to manage cash on hand for its maximum benefit under the recession economy with higher returns than the market rate (currently, market interest rate is approximately 0.75-1.50% per annum). If the company needs to use this investment, the company can call back anytime. Moreover, since Ratchthani Leasing PCL. has strong financial status, this causes the interest payment and repayment to be at low risk.</p> <p>* The Audit Committee has approved this transaction by stating that such transaction is a treasury transaction with financial institution whereby it has low risk and good returns which is reasonable and benefit the company.</p> |
|                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                             | 2. Interest income          | 2.71            | 5.26            |                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

## Management Discussion and Analysis (MD&A)

### Business performance overview

The property development sector in Thailand, in 2011, slowed down even with several public stimulating measures i.e. a first-house campaign and higher minimum wage. Some negative factors were affecting purchasing power of consumers such as higher oil prices higher policy interest rates (resulting in higher mortgage rates). Higher interest rates affected purchasing power and loan application of customers relying on mortgage loans from financial institutions. At the end of 2011, the property development sector was severely affected by Thailand's massive flooding crisis. Even though Baan Rock Garden Airport Project saved from floods, customers suspended their purchase decision due to its location in the read zone. In sum, the Company sold 30 houses of Baan Rock Garden Bypass 3, 4, and Bypass 6 Phase 1, and Baan Rock Garden Airport 1 and 2 projects.

For 2012, the real estate business continued to grow due to the Government's economic stimulation measures i.e. first-house policy and infrastructure construction in major provinces. With the aforementioned factors, the Company has revised sales and marketing policies, plans on product development and price setting to satisfy customer needs. In 2012, the Company sold 35 units of Baan Rock Garden Bypass 3, 4, and Bypass 6 Phase 1, and Baan Rock Garden Airport 1 and 2 projects

In 2013, the real estate sector declined due to several factors such as sluggish economy, political turmoil at the end of the year and higher household debt burdens, etc. With such factors, the loan approval of customers dropped and application rejection rose from 5% to 10%. Increasing household debts were caused by first-car scheme, credit card loan, and personal loan. Some customers were approved but credit lines were cut so the Company's target groups have not decided to purchase houses. However, the Company has a strong commitment to develop projects and maintain quality standards of our brand "Baan Rock Garden" to create customer trust. In 2013, the Company sold 18 houses of Baan Rock Garden Bypass 3, Baan Rock Garden Bypass 6 Phase 1 and Baan Rock Garden Airport 1 and 2.

## Revenues

The Company had the sales revenue of 85.85 million Baht 118.43 million Baht and 63.83 million Baht in 2011, 2012 and 2013, respectively. The sales revenues from housing projects could be summarized as follows:

| Sales Volume of Projects          | 2011      |              | 2012      |               | 2013      |              |
|-----------------------------------|-----------|--------------|-----------|---------------|-----------|--------------|
|                                   | Units     | Bt. Million  | Units     | Bt. Million   | Units     | Bt. Million  |
| Baan Rock Garden Bypass 3         | 1         | 3.09         | 4         | 10.79         | 2         | 5.40         |
| Baan Rock Garden Bypass 4         | 2         | 5.05         | 5         | 13.50         | -         | -            |
| Baan Rock Garden Bypass 6 Phase 1 | 8         | 35.08        | 14        | 61.42         | 4         | 23.11        |
| Baan Rock Garden Airport 1        | 9         | 15.63        | 3         | 5.51          | 3         | 7.63         |
| Baan Rock Garden Airport 2        | 10        | 27.00        | 9         | 27.22         | 9         | 27.69        |
| <b>Total</b>                      | <b>30</b> | <b>85.85</b> | <b>35</b> | <b>118.44</b> | <b>18</b> | <b>63.83</b> |

In 2011, the Company had the sales revenue from sales 85.85 million Baht, declined 15.75 million Baht or 15.50% from the last year. Customers suspended their purchase decisions to wait for the Government policy in the first half of 2011 and from the flood crisis at the end of 2011.

In 2012, the sales revenue was recorded at 118.44 million Baht, increasing by approximately 32.59 million Baht or 37.96%. The revenue was mainly generated from Baan Rock Garden Bypass 6 Phase 1, which is the detached-housing project sold at higher prices than other projects. Simultaneously, the Company continuously sold houses of Baan Rock Garden Airport 1 and 2 Projects located in Samutprakan.

In 2013, the Company has the sales revenue of 63.83 Million Baht, a decrease by approximately 54.61 Million Baht (46.11%) due to slowdown economy. With such factors, the loan approval of customers dropped and application rejection rose from 5% to 10%. Increasing household debts were caused by first-car scheme, credit card loan, and personal loan. Some customers were approved but credit lines were cut so the Company's target groups have not decided to purchase houses.

In 2011, the Company had other incomes of 5.28 million Baht, comprising of interest incomes of approximately 1.90 million Baht, revenue from writing-off of approximately 1.59 million Baht and public service fees of approximately 0.40 million Baht.

In 2012, the Company had other incomes of 5.21 million Baht, comprising of interest incomes of approximately 2.94 million Baht, revenue from writing-off of approximately 0.80 million Baht and public service fees of approximately 0.30 million Baht, respectively.

In 2013, the Company had other incomes of 6.21 Million Baht comprising of interest income of approximately 5.26 Million Baht, and common fee charge of approximately 0.24 Million Baht.

## Cost of sales and expenses

Cost of Sales

The costs of sales are summarized in the table below.

(Unit: million Baht)

| Projects                                               | 2011         | 2012         | 2013         |
|--------------------------------------------------------|--------------|--------------|--------------|
| <b>Baan Rock Garden Bypass 3 :</b>                     |              |              |              |
| Cost of land                                           | 0.08         | 0.25         | 0.14         |
| Cost of project development                            | 0.81         | 3.35         | 1.62         |
| Cost of allocation of public properties in the project | 0.11         | 0.36         | 0.20         |
| <b>Baan Rock Garden Bypass 4 :</b>                     |              |              |              |
| Cost of land                                           | 0.13         | 0.32         | -            |
| Cost of project development                            | 1.88         | 4.63         | -            |
| Cost of allocation of public properties in the project | 0.18         | 0.45         | -            |
| <b>Baan Rock Garden Bypass 6 Phase 1 :</b>             |              |              |              |
| Cost of land                                           | 1.43         | 2.51         | 0.91         |
| Cost of project development                            | 10.45        | 18.58        | 6.46         |
| Cost of allocation of public properties in the project | 4.03         | 6.53         | 2.15         |
| <b>Baan Rock Garden Airport 1 :</b>                    |              |              |              |
| Cost of land                                           | 1.50         | 0.47         | 0.65         |
| Cost of project development                            | 7.32         | 2.34         | 3.00         |
| Cost of allocation of public properties in the project | 1.59         | 0.49         | 0.69         |
| <b>Baan Rock Garden Airport 2 :</b>                    |              |              |              |
| Cost of land                                           | 2.97         | 2.78         | 2.63         |
| Cost of project development                            | 12.92        | 10.97        | 10.37        |
| Cost of allocation of public properties in the project | 2.37         | 1.92         | 1.82         |
| <b>Total</b>                                           | <b>47.77</b> | <b>55.95</b> | <b>30.64</b> |

In 2012, the cost of sales was recorded at 55.95 Million Baht, increasing by approximately 8.18 Million Baht (17.12%) from the last year figure. It was correspondent to increasing sales volume.

In 2013, the cost of sales was recorded at 30.64 Million Baht, declined by approximately 25.31 Million Baht (45.24%) from the last year figure. It was correspondent to the decrease in sales volume in 2013. The cost to sales volume ratio was at 48.00%, compared to 47.24% in 2012. The ratio increased because costs of ownership transfer of the project in Samutprakarn were higher than that of other projects in Phuket.

### Selling and administrative expenses

In 2011, the selling and administrative expenses were recorded at about 26.14 million Baht, declined from the 2010 figure by 1.73 million Baht or 6.20%, in correspondence to lower sales volume. The selling and administrative expenses mainly comprised (1) commission fee of about 1.85 million Baht, specific business tax of about 2.55 million Baht, marketing and advertising expenses of 1.66 million Baht, and (2) salary of management and employees of about 7.95 million Baht, and (3) office rental fees of 2.16 million Baht, respectively.

In 2012, the selling and administrative expenses were at about 27.60 million Baht, an increase of 1.46 million Baht (5.58%) due to adjustment of sales and marketing plans of Baan Rock Garden Airport. The selling and administrative expenses mainly comprised (1) commission fee of about 2.88 million Baht, specific business tax of about 3.01 million Baht, marketing and advertising expenses of about 2.72 million Baht, and (2) salary of management and employees of about 7.56 million Baht, and (3) office rental fees of 2.34 million Baht, respectively.

In 2013, the Company had the selling and administrative expenses of approximately 48.27 Million Baht, an increase of approximately 20.67 Million Baht from the 2012 figure. The main selling and administrative expenses comprised (1) commission fee of approximately 3.98 Million Baht, specific business tax of approximately 1.67 Million Baht, marketing and advertising expenses of approximately 3.64 Million Baht, (2) salaries of management and employees of approximately 7.44 Million Baht, (3) office rental fees of 2.41 Million Baht and lawsuit allowance of 18.84 Million Baht, respectively.

### Interest expenses

In 2012 and 2011, the Company had no interest expense. In 2012, the interest expense was recorded at 0.02 million Baht due to liabilities under financial lease agreement. The figures proved that the Company attempted to use own funds and had loans as little as possible to reduce interest expenses during the slowdown economy.

### Gross profit

In 2011, the Company's gross profit margin was at 44.36%, an increase of 3.86% from the last year. The Company developed and recognized income from the Project in Phuket Province which its cost was lower than that of other projects in Samutprakarn Province. Therefore, the Company's gross profit margin was slightly higher than that of the last year figure.

In 2012, the Company's gross profit margin valued at 52.76%, an increase of 18.95% from the last year. The Company rose selling prices and recognized income from the Project in Phuket Province which its cost was lower than that of other projects in Samutprakarn Province. Therefore, the Company's gross profit margin was higher than that of the last year figure.

The Company's gross profit margin in 2013 was recorded at 52.00%, declined by approximately (1.45%) from the last year. The Company recognized revenue from the Project in Samutprakarn which its cost ratio was higher than that of other projects in Phuket. Therefore, the Company's gross profit margin declined from the last year figure.

#### **Operating profit and net profit**

The Company had the operating profit ratio and net profit ratio in 2011 of 20.06% and 14.10%, respectively. The Company's operating profits ratio and the net profit ratio of 2012 were at 33.86% and 24.80% respectively, increasing from 2011 figure, due to lower costs of sales.

Due to lower sales volume, lawsuit allowance and loss sharing of a joint venture, the Company had the operating profit ratio and the net profit ratio at (13.89%) and (21.79%), respectively.

The net profits, in 2012 and 2011, were recorded at 13.70 and 30.66 million Baht respectively, increasing from the 2011 figure due to lower costs of sales and corporate tax benefits.

In 2013, the Company had the net loss of 15.50 Million Baht due to lower sales volume. The Company also recorded lawsuit allowance and loss sharing of a non-operating joint venture.

#### **Return to shareholders**

In 2011, the Company's rate of return to equity was at 1.06%, slightly decreasing from the 2010. The Company announced dividends to shareholders for 2011 at a rate of 0.01 Baht per share or 77.85% of the net profit of 2011.

In 2012, the Company's rate of return to equity rose to 2.51% due to higher sales volume and higher net profit, compared to those of 2011.

In 2013, the Company's return to equity ratio decreased to (1.26%) due to lower sales volume and net profit, compared to the 2012 figure.

## Financial Statement Analysis

Assets

The main components of the Company's assets in 2011, 2012, and 2013 were development costs and undeveloped-land costs, accounting for about 92.99%, 88.07% and 87.42% of the total assets, respectively. In 2013, the development costs and undeveloped land costs were at 39.13% and 48.30% of the total assets, respectively. The details of the aforementioned costs were summarized below:

(Unit: Bt. million)

| Costs of property development :                                                               | 2011          | 2012          | 2013          |
|-----------------------------------------------------------------------------------------------|---------------|---------------|---------------|
| • Project under development – net: Baan Rock Garden Bypass 3                                  | 5.91          | 1.95          | -             |
| • Project under development – net: Baan Rock Garden Bypass 4                                  | 6.64          | 1.37          | *             |
| • Project under development – net: Baan Rock Garden Bypass 6 Phase 1-10                       | 257.78        | 236.94        | 230.45        |
| • Project under development – net: Baan Rock Garden Airport 1                                 | 13.14         | 9.32          | 5.33          |
| • Project under development – net: Baan Rock Garden Airport 2                                 | 175.92        | 167.27        | 165.46        |
| • Project under development – net: Baan Rock Garden Airport 3                                 | 90.62         | 90.62         | 90.62         |
| <b>Total</b>                                                                                  | <b>550.01</b> | <b>507.47</b> | <b>491.86</b> |
| <b>Undeveloped land :</b>                                                                     |               |               |               |
| • Vacant land: 3.5 rais – Soi Vacharapol, Bangkok Metropolis                                  | 38.18         | 38.18         | 38.18         |
| • Vacant land: approximately 506 rais –Pa Klog Sub-district, Talang District, Phuket Province | 507.80        | 507.80        | 507.80        |
| • Vacant land: 104 rais – Baan Pae Sub-district, Muang District, Rayong Province              | 61.18         | 61.18         | 61.18         |
| <b>Total</b>                                                                                  | <b>607.16</b> | <b>607.16</b> | <b>607.16</b> |

\*During 2013, the Company transferred commercial buildings to be office buildings.

As of 31 December 2010, the costs of the property development were recorded at 550.01 million Baht from the revenue recognition of 6 projects.

At the end of 2012, the Company's cost of the property development reduced to 507.48 million Baht, or 42.53 million Baht (7.73%) lower than that of 2011. The Company had no new development project but continued to develop the Baan Rock Garden Airport 2, Baan Rock Garden Airport 3 project and Baan Rock Garden Bypass 6 project. Then, the revenue was recognized from all 6 projects i.e. Baan Rock Garden Bypass 3, Baan Rock Garden Bypass 4, Baan Rock Garden Bypass 6, Baan Rock Garden Airport 1, Baan Rock Garden Airport 2 and Baan Rock Garden Airport 3 projects.

At the end of 2013, the Company's cost of the property development reduced to 491.86 million Baht, or 15.62 million Baht (3.08%) lower than that of 2012. The Company had no new development project but continued to develop the Baan Rock Garden Airport 2, Baan Rock Garden Airport 3 project and Baan Rock Garden Bypass 6 project. Then, the revenue was recognized from all 5 projects i.e. Baan Rock Garden Bypass 3, Baan Rock Garden Bypass 6, Baan Rock Garden Airport 1, Baan Rock Garden Airport 2 and Baan Rock Garden Airport 3 projects.

The undeveloped land remained unchanged in 2012 and 2013 due to the sufficient number of land plots on hand. However, the Company is looking for potential lands for further development and business opportunity.

#### **Account receivables**

The Company recognizes revenues after right transfer and making of sales agreements. First down payments and installments which are not counted as revenues will be recorded as deposits from properties sales. Therefore, the Company normally has no account receivable from properties sales.

#### **Cash flow and liquidity**

In 2011, the Company had cash inflow from operating activities in an amount of 32.24 million Baht. The Company did not launch any new projects but continued to develop the existing ones, resulting in cash inflow in 2011.

In 2012, the Company had cash inflow from operating activities in an amount of 70.78 million Baht because the Company did not launch any new projects but continued to develop the existing ones, resulting in cash inflow in 2012.

In 2013, the Company had cash inflow from operating activities in an amount of 8.29 million Baht because the Company did not launch any new projects but continued to develop the existing ones, resulting in cash inflow in 2013.

The Company's cash flow from investing activities valued 23.08 million Baht in 2010 as the Company had short-term investment to gain interest.

In 2012, the Company's cash flow for investment activities was approximately 49.04 million Baht. The overall investment in 2012 covered (1) short-term investment of 50 million Baht, (2) cash payment for equipment purchase of about 1.34 million Baht, (3) cash receipt from asset disposal by about 0.64 million Baht and (4) interest receipt of about 2.94 million Baht, respectively.

In 2013, the Company's cash flow for investment activities was approximately 25.40 million Baht. The overall investment in 2013 covered (1) short-term investment of 30 million Baht, (2) cash payment for equipment purchase of about 0.66 million Baht, (3) cash receipt from asset disposal

by about 0.50 million Baht and (4) interest receipt of about 5.26 million Baht, respectively.

In 2011, the Company had cash outflow from financing of 15 million Baht due to its 2009 dividend payment made during the year. In 2012, the Company had cash outflow for financing activities of approximately 10 million Baht due to its 2012 dividend payment.

In 2013, the Company had cash outflow from financing of 3.14 million Baht. The overall investment in 2013 covered (1) Dividend paid 3 million Baht (2) Cash paid for liabilities under finance lease and interest 0.14 million Baht.

In 2011, the Company had the liquidity ratio at 33.95 times, slightly increasing from the 2010 figure due to lower current liabilities. In 2012, the Company had the liquidity ratio of 32.63 times, slightly decreasing from the 2011 figure due to higher current liabilities.

In 2013, the Company had the liquidity ratio of 20.81 times, slightly decreasing from the 2012 figure due to higher current liabilities.

#### **Sources of funds**

##### **-Liabilities-**

As of 31 December 2011, the Company had the total liabilities of 27.05 million Baht, decreasing from the 2010 figure by approximately 2.45 million Baht.

As of 31 December 2012, the Company had the total liabilities of 27.56 million Baht, increasing by approximately 0.51 million Baht from the 2011.

As of 31 December 2013, the Company had the total liabilities of 38.24 million Baht, increasing by approximately 10.68 million Baht. The details of major liabilities, as of 31 December 2013, could be summarized as follows.

- (1) Accounts payable of 5.57 million Baht (normal accounts payable or other parties)
- (2) Estimate from prosecuted cases of 18.84 million Baht.
- (3) Loan interest of approximately of 6.63 million Baht (The Company paid interest of long-term loans to creditors in a form of land.)
- (4) Performance bond of 6.14 million Baht
- (5) Obligation under finance lease of 0.48 and
- (6) Employee benefit obligation of 0.52 million Baht

At the end of 2011, the Company had no interest payment. In 2012, the Company did not have any new loan so slightly financial costs were recorded.

In 2013, the Company had interest coverage ratio at 134.64 times because the Company had interest expense from liabilities under financial lease agreement. The ratio represented high interest coverage of the Company because most capitals were funded by the shareholders. However, to have any liabilities in the future, the Company will consider its financial structure, including sufficient cash

flow from operation. Regarding funding from financial institutions, the Company has maintained good relationships with some domestic financial institutions. Transactions include credits to the Company's customers. Additionally, the Company possesses the assets to be used as loan collaterals, such as developing land. Thus, the Company is confident in its liquidity to support future expansion.

**- Shareholders' equity -**

As of 31 December 2011, the Company had the shareholders' equity of 1,216.72 million Baht. The shareholders' equity at the end of 2013 comprised the paid-up capital of 1 billion Baht, the premium on common stocks of 32.12 million Baht, adjustment on merger and acquisition of 1.15 million Baht, the legal reserves of 16.10 million Baht and the retained earnings of 167.35 million Baht, respectively.

As of 31 December 2012, the Company had the shareholders' equity of 1,237.40 million Baht, increasing by approximately 20.67 million Baht due to the increasing net profit. The shareholders' equity at the end of 2012 comprised the paid-up capital of 1 billion Baht, the premium on common stocks of 32.12 million Baht, adjustment on merger and acquisition of 1.15 million Baht, the legal reserves of 17.70 million Baht and the retained earnings of 186.43 million Baht, respectively.

As of 31 December 2013, the Company had the shareholders' equity of 1,218.90 million Baht, decreasing by approximately 15.33 million Baht due to the decreasing net loss. The shareholders' equity at the end of 2013 comprised the paid-up capital of 1,025 billion Baht, the premium on common stocks of 32.12 million Baht, adjustment on merger and acquisition of 1.15 million Baht, the legal reserves of 17.70 million Baht and the retained earnings of 142.92 million Baht, respectively.

**-Capital structure -**

The debt to equity ratios as of 31 December 2011, 2012 and 2013 were at 0.022, 0.022 and 0.031 times, respectively. The aforementioned ratios reflected the funding policy on low liability during economic slowdown.

Independent Auditor's Report

To the Shareholders of Baan Rock Garden Public Company Limited

I have audited the accompanying financial statements in which the equity method is applied and separate financial statement of Baan Rock Garden Public Company Limited, which comprise the statement of financial position in which the equity method is applied and separate statement of financial position as at December 31, 2013, and the related statement of comprehensive income in which the equity method is applied and separate statement of comprehensive income, the statement of changes in shareholders' equity in which the equity method is applied and separate statement of changes in shareholders' equity and the statement of cash flows in which the equity method is applied and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements in which the equity method is applied and separate financial statement referred to above present fairly, in all material respects, the financial position of Baan Rock Garden Public Company Limited as at December 31, 2013, and its financial performance and cash flow for the year then ended in accordance with Thai Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw attention to the Note to financial statement, as follows

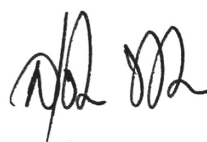
(1) As mentioned in Note 2 and 4 to the financial statements, from January 1, 2013, the Company has changed the accounting policy for income tax in accordance with TAS No.12 "Income Tax." Thus, the comparative financial information has been retroactively adjusted for the change in accounting policy concerning income tax, and

(2) As mentioned in the notes to financial statements No. 27 explaining the uncertainty regarding the outcome of the litigation which the purchasers of the houses filed for compensation for the damage against the Company. Currently, the said litigation is under the analysis by the new legal counsel to plan the strategy for the defensive technique for the submission of appeal to the Supreme Court against the adjudication of the Court of Appeals.

Other matter

The financial statements in which the equity method is applied and separate financial statement of Baan Rock Garden Public Company Limited for the year ended December 31, 2012 were audited by other auditor in the same firm and who expressed an unqualified opinion on these financial in his report dated February 20, 2013.

SP Audit Company Limited



(Mr. Suchart Panitcharoen)

Certified Public Accountant (Thailand) No. 4475

Bangkok

February 27, 2014

## Financial Statements

## BAAN ROCK GARDEN PUBLIC COMPANY LIMITED

## STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

(Unit : Baht)

|                                                   | Notes | Financial Statement in which<br>the equity method is applied |                   |                  | Superate<br>financial statement |                   |                  |
|---------------------------------------------------|-------|--------------------------------------------------------------|-------------------|------------------|---------------------------------|-------------------|------------------|
|                                                   |       | December 31, 2013                                            | December 31, 2012 | January 1, 2012  | December 31, 2013               | December 31, 2012 | January 1, 2012  |
|                                                   |       | Restated                                                     | Restated          |                  | Restated                        | Restated          |                  |
| <u>ASSETS</u>                                     |       |                                                              |                   |                  |                                 |                   |                  |
| Current Assets                                    |       |                                                              |                   |                  |                                 |                   |                  |
| Cash and cash equivalents                         |       | 18,147,795.50                                                | 38,401,427.56     | 26,659,594.22    | 18,147,795.50                   | 38,401,427.56     | 26,659,594.22    |
| Current investment                                | 5.1   | 130,000,000.00                                               | 100,000,000.00    | 50,000,000.00    | 130,000,000.00                  | 100,000,000.00    | 50,000,000.00    |
| Trade and other accounts receivable - third party | 6     | 1,604,898.81                                                 | 1,879,719.18      | 1,398,898.61     | 1,604,898.81                    | 1,879,719.18      | 1,398,898.61     |
| Cost of real estate development                   | 7     | 491,857,933.45                                               | 506,909,699.13    | 549,442,132.49   | 491,857,933.45                  | 506,909,699.13    | 549,442,132.49   |
| Total Current Assets                              |       | 641,610,627.76                                               | 647,190,845.87    | 627,500,625.32   | 641,610,627.76                  | 647,190,845.87    | 627,500,625.32   |
| Non-Current Assets                                |       |                                                              |                   |                  |                                 |                   |                  |
| Investment in joint venture                       | 8     | -                                                            | 114,814.86        | 333,199.53       | -                               | 373,003.18        | 373,003.18       |
| Long-term loan to joint venture                   | 5.1   | -                                                            | 3,835,979.38      | 3,200,000.00     | -                               | 3,835,979.38      | 3,200,000.00     |
| Land held for development                         | 9     | 607,163,434.11                                               | 607,163,434.11    | 607,730,103.21   | 607,163,434.11                  | 607,163,434.11    | 607,163,434.11   |
| Property, plant and equipment                     | 10    | 5,048,353.05                                                 | 2,680,154.70      | 1,638,851.30     | 5,048,353.05                    | 2,680,154.70      | 1,638,851.30     |
| Pledged deposits at financial institutions        | 11    | 405,849.70                                                   | 399,147.31        | 391,152.99       | 405,849.70                      | 399,147.31        | 391,152.99       |
| Deferred tax assets                               | 12    | 2,486,286.65                                                 | 3,170,746.76      | 3,156,423.84     | 2,486,286.65                    | 3,119,109.09      | 3,155,014.64     |
| Other non-current assets                          |       | 419,667.50                                                   | 404,287.00        | 386,717.00       | 419,667.50                      | 404,287.00        | 386,717.00       |
| Total Non-Current Assets                          |       | 615,523,591.01                                               | 617,768,564.12    | 616,836,447.87   | 615,523,591.01                  | 617,975,114.77    | 616,308,173.22   |
| TOTAL ASSETS                                      |       | 1,257,134,218.77                                             | 1,264,959,409.99  | 1,243,770,404.09 | 1,257,134,218.77                | 1,265,165,960.64  | 1,243,808,798.54 |

Notes to financial statements are an integral part of these financial statements

## BAAN ROCK GARDEN PUBLIC COMPANY LIMITED

## STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

(Unit : Baht)

|                                                  |       | Financial Statement in which<br>the equity method is applied |                   |                  | Superate<br>financial statement |                   |                  |
|--------------------------------------------------|-------|--------------------------------------------------------------|-------------------|------------------|---------------------------------|-------------------|------------------|
|                                                  | Notes | December 31, 2013                                            | December 31, 2012 | January 1, 2012  | December 31, 2013               | December 31, 2012 | January 1, 2012  |
|                                                  |       | Restated                                                     | Restated          |                  | Restated                        | Restated          |                  |
| <u>LIABILITIES AND EQUITY</u>                    |       |                                                              |                   |                  |                                 |                   |                  |
| Current Liabilities                              |       |                                                              |                   |                  |                                 |                   |                  |
| Trade and other accounts payables - third party  | 13    | 5,175,196.67                                                 | 6,065,591.24      | 9,486,509.31     | 5,175,196.67                    | 6,065,591.24      | 9,486,509.31     |
| Estimate from prosecuted cases                   | 27    | 18,840,000.00                                                | -                 | -                | 18,840,000.00                   | -                 | -                |
| Current portion                                  |       |                                                              |                   |                  |                                 |                   |                  |
| - Provision - interest of loan                   | 5.1   | 6,627,996.31                                                 | 6,627,996.31      | 6,627,996.31     | 6,627,996.31                    | 6,627,996.31      | 6,627,996.31     |
| - Financial lease liabilities                    | 14    | 187,850.26                                                   | -                 | -                | 187,850.26                      | -                 | -                |
| Income tax payable                               |       | -                                                            | 7,158,729.15      | 2,385,274.91     | -                               | 7,158,729.15      | 2,385,274.91     |
| Total Current Liabilities                        |       | 30,831,043.24                                                | 19,852,316.70     | 18,499,780.53    | 30,831,043.24                   | 19,852,316.70     | 18,499,780.53    |
| Non-Current Liabilities                          |       |                                                              |                   |                  |                                 |                   |                  |
| Performance retention receipt from contactor     |       | 6,143,398.56                                                 | 6,669,965.33      | 7,615,258.29     | 6,143,398.56                    | 6,669,965.33      | 7,615,258.29     |
| Obligation under finance lease                   | 14    | 475,443.47                                                   | -                 | -                | 475,443.47                      | -                 | -                |
| Employee benefit obligations                     | 15    | 523,388.91                                                   | 721,850.87        | 614,429.96       | 523,388.91                      | 721,850.87        | 614,429.96       |
| Other non-current liabilities                    |       | 263,364.19                                                   | 315,981.21        | 321,588.76       | 239,532.62                      | 315,981.21        | 321,588.76       |
| Total Non-Current Liabilities                    |       | 7,405,595.13                                                 | 7,707,797.41      | 8,551,277.01     | 7,381,763.56                    | 7,707,797.41      | 8,551,277.01     |
| TOTAL LIABILITIES                                |       | 38,236,638.37                                                | 27,560,114.11     | 27,051,057.54    | 38,212,806.80                   | 27,560,114.11     | 27,051,057.54    |
| Equity                                           |       |                                                              |                   |                  |                                 |                   |                  |
| Share capital                                    | 16    |                                                              |                   |                  |                                 |                   |                  |
| Authorised share capital                         |       |                                                              |                   |                  |                                 |                   |                  |
| 1,025,000,000 ordinary shares of Baht 1.00 each  |       | 1,025,000,000.00                                             | -                 | -                | 1,025,000,000.00                | -                 | -                |
| 1,000,000,000 ordinary shares of Baht 1.00 each  |       | -                                                            | 1,000,000,000.00  | 1,000,000,000.00 | -                               | 1,000,000,000.00  | 1,000,000,000.00 |
| Issued and paid up share capital                 |       |                                                              |                   |                  |                                 |                   |                  |
| 1,024,999,930 ordinary shares of Baht 1.00 each  |       | 1,024,999,930.00                                             | -                 | -                | 1,024,999,930.00                | -                 | -                |
| 1,000,000,000 ordinary shares of Baht 1.00 each  |       | -                                                            | 1,000,000,000.00  | 1,000,000,000.00 | -                               | 1,000,000,000.00  | 1,000,000,000.00 |
| Premium on share capital                         |       | 32,123,085.07                                                | 32,123,085.07     | 32,123,085.07    | 32,123,085.07                   | 32,123,085.07     | 32,123,085.07    |
| Surplus from reorganisation under common control |       | 1,149,466.83                                                 | 1,149,466.83      | 1,149,466.83     | 1,149,466.83                    | 1,149,466.83      | 1,149,466.83     |
| Retained earnings(deficit)                       |       |                                                              |                   |                  |                                 |                   |                  |
| Appropriated                                     |       |                                                              |                   |                  |                                 |                   |                  |
| Legal reserve                                    |       | 17,700,000.00                                                | 17,700,000.00     | 16,100,000.00    | 17,700,000.00                   | 17,700,000.00     | 16,100,000.00    |
| Unappropriated                                   |       | 142,925,098.50                                               | 186,426,743.98    | 167,346,794.65   | 142,948,930.07                  | 186,633,294.63    | 167,385,189.10   |
| TOTAL EQUITY                                     |       | 1,218,897,580.40                                             | 1,237,399,295.88  | 1,216,719,346.55 | 1,218,921,411.97                | 1,237,605,846.53  | 1,216,757,741.00 |
| TOTAL LIABILITIES AND EQUITY                     |       | 1,257,134,218.77                                             | 1,264,959,409.99  | 1,243,770,404.09 | 1,257,134,218.77                | 1,265,165,960.64  | 1,243,808,798.54 |

Notes to financial statements are an integral part of these financial statements

## BAAN ROCK GARDEN PUBLIC COMPANY LIMITED

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

(Unit : Baht)

|                                          | Notes | Financial statement in which<br>the equity method is applied |                | Separate<br>financial statements |                |
|------------------------------------------|-------|--------------------------------------------------------------|----------------|----------------------------------|----------------|
|                                          |       | 2013                                                         | 2012           | 2013                             | 2012           |
|                                          |       |                                                              | Restated       |                                  | Restated       |
| Revenues                                 |       |                                                              |                |                                  |                |
| Revenue                                  |       | 63,831,650.00                                                | 118,443,753.00 | 63,831,650.00                    | 118,443,753.00 |
| Other income                             |       | 6,212,512.97                                                 | 5,209,188.21   | 6,212,512.97                     | 5,209,188.21   |
| Total revenues                           |       | 70,044,162.97                                                | 123,652,941.21 | 70,044,162.97                    | 123,652,941.21 |
| Expenses                                 |       |                                                              |                |                                  |                |
| Cost of sales                            |       | 30,639,288.76                                                | 55,949,303.70  | 30,639,288.76                    | 55,949,303.70  |
| Selling expenses                         |       | 8,166,635.80                                                 | 5,701,668.53   | 8,166,635.80                     | 5,701,668.53   |
| Administrative expenses                  |       | 35,839,366.14                                                | 17,701,231.48  | 40,048,348.70                    | 17,701,231.48  |
| Management benefit expenses              |       | 4,244,707.00                                                 | 4,197,592.87   | 4,244,707.00                     | 4,197,592.87   |
| Finance costs                            |       | 20,519.73                                                    | -              | 20,519.73                        | -              |
| Total expenses                           |       | 78,910,517.43                                                | 83,549,796.58  | 83,119,499.99                    | 83,549,796.58  |
| Profit before interest in joint venture  |       | (8,866,354.46)                                               | 40,103,144.63  | (13,075,337.02)                  | 40,103,144.63  |
| Share of profit of joint venture         |       | (3,974,625.82)                                               | (218,384.67)   | -                                | -              |
| Profit before income tax expense         |       | (12,840,980.28)                                              | 39,884,759.96  | (13,075,337.02)                  | 40,103,144.63  |
| Income tax expense                       | 18    | (2,660,665.20)                                               | (9,207,079.63) | (2,609,027.54)                   | (9,257,308.10) |
| Profit (loss) for the year               |       | (15,501,645.48)                                              | 30,677,680.33  | (15,684,364.56)                  | 30,845,836.53  |
| Other comprehensive income for the year  |       | -                                                            | -              | -                                | -              |
| Total comprehensive income for the year  |       | (15,501,645.48)                                              | 30,677,680.33  | (15,684,364.56)                  | 30,845,836.53  |
| Basic earnings per share                 | 19    | (0.015)                                                      | 0.030          | (0.015)                          | 0.030          |
| Number of ordinary shares (Unit : Share) |       | 1,024,999,930                                                | 1,024,999,930  | 1,024,999,930                    | 1,024,999,930  |

Notes to financial statements are an integral part of these financial statements

BAAN ROCK GARDEN PUBLIC COMPANY LIMITED  
STATEMENTS OF CHANGES IN EQUITY IN WHICH THE EQUITY METHOD APPLIED  
FOR THE YEAR ENDED DECEMBER 31, 2013

|                                          |      |                                  |                          |                                                      |                            |                 | (Unit : Baht)    |
|------------------------------------------|------|----------------------------------|--------------------------|------------------------------------------------------|----------------------------|-----------------|------------------|
|                                          | Note | Issued and paid-up share capital | Premium on share capital | Surplus from reorganisation under the common control | Retained earnings          |                 | Total            |
|                                          |      |                                  |                          |                                                      | Appropriated legal reserve | Unappropriated  |                  |
| Balance as at January 1, 2012            |      | 1,000,000,000.00                 | 32,123,085.07            | 1,149,466.83                                         | 16,100,000.00              | 164,190,370.81  | 1,213,562,922.71 |
| Impact of changes in accounting policies | 4    | -                                | -                        | -                                                    | -                          | 3,156,423.84    | 3,156,423.84     |
| Restated balance                         |      | 1,000,000,000.00                 | 32,123,085.07            | 1,149,466.83                                         | 16,100,000.00              | 167,346,794.65  | 1,216,719,346.55 |
| Change in equity for the year            |      |                                  |                          |                                                      |                            |                 |                  |
| Legal reserve                            | 17   | -                                | -                        | -                                                    | 1,600,000.00               | (1,600,000.00)  | -                |
| Dividend paid                            | 20   | -                                | -                        | -                                                    | -                          | (9,997,731.00)  | (9,997,731.00)   |
| Total comprehensive income for the year  |      | -                                | -                        | -                                                    | -                          | 30,677,680.33   | 30,677,680.33    |
| Balance as at December 31, 2012          |      | 1,000,000,000.00                 | 32,123,085.07            | 1,149,466.83                                         | 17,700,000.00              | 186,426,743.98  | 1,237,399,295.88 |
| Changes in equity for the year           |      |                                  |                          |                                                      |                            |                 |                  |
| Increase from increment of capital       | 16   | 24,999,930.00                    | -                        | -                                                    | -                          | -               | 24,999,930.00    |
| Cash dividends and stock dividends       | 20   | -                                | -                        | -                                                    | -                          | (28,000,000.00) | (28,000,000.00)  |
| Total comprehensive income for the year  |      | -                                | -                        | -                                                    | -                          | (15,501,645.48) | (15,501,645.48)  |
| Balance as at December 31, 2013          |      | 1,024,999,930.00                 | 32,123,085.07            | 1,149,466.83                                         | 17,700,000.00              | 142,925,098.50  | 1,218,897,580.40 |

Notes to financial statements are an integral part of these financial statements

BAAN ROCK GARDEN PUBLIC COMPANY LIMITED  
SEPARATE STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2013

|                                                 | Notes | Issued and paid-up<br>share capital | Premium on<br>Share<br>capital | Surplus from<br>reorganisation under<br>the same control | Retained earnings |                 | Total            |
|-------------------------------------------------|-------|-------------------------------------|--------------------------------|----------------------------------------------------------|-------------------|-----------------|------------------|
|                                                 |       |                                     |                                |                                                          | Appropriated      | Unappropriated  |                  |
|                                                 |       |                                     |                                |                                                          | legal reserve     |                 |                  |
| Balance as at January 1, 2012                   |       | 1,000,000,000.00                    | 32,123,085.07                  | 1,149,466.83                                             | 16,100,000.00     | 164,230,174.46  | 1,213,602,726.36 |
| Impact of changes in accounting policies        | 4     | -                                   | -                              | -                                                        | -                 | 3,155,014.64    | 3,155,014.64     |
| Restated balance                                |       | 1,000,000,000.00                    | 32,123,085.07                  | 1,149,466.83                                             | 16,100,000.00     | 167,385,189.10  | 1,216,757,741.00 |
| Change in equity for the year                   |       |                                     |                                |                                                          |                   |                 |                  |
| Legal reserve                                   | 17    | -                                   | -                              | -                                                        | 1,600,000.00      | (1,600,000.00)  | -                |
| Dividend paid                                   | 20    | -                                   | -                              | -                                                        | -                 | (9,997,731.00)  | (9,997,731.00)   |
| Total comprehensive income for the year         |       | -                                   | -                              | -                                                        | -                 | 30,845,836.53   | 30,845,836.53    |
| Balance as at December 31, 2012                 |       | 1,000,000,000.00                    | 32,123,085.07                  | 1,149,466.83                                             | 17,700,000.00     | 186,633,294.63  | 1,237,605,846.53 |
| Changes in equity for the period                |       |                                     |                                |                                                          |                   |                 |                  |
| Increase from increment of capital for the year | 16    | 24,999,930.00                       | -                              | -                                                        | -                 | -               | 24,999,930.00    |
| Cash dividends and stock dividends              | 20    | -                                   | -                              | -                                                        | -                 | (28,000,000.00) | (28,000,000.00)  |
| Total comprehensive income for the year         |       | -                                   | -                              | -                                                        | -                 | (15,684,364.56) | (15,684,364.56)  |
| Balance as at December 31, 2013                 |       | 1,024,999,930.00                    | 32,123,085.07                  | 1,149,466.83                                             | 17,700,000.00     | 142,948,930.07  | 1,218,921,411.97 |

Notes to financial statements are an integral part of these financial statements

## BAAN ROCK GARDEN PUBLIC COMPANY LIMITED

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

(Unit : Baht)

|                                                                          | Financial statement in which<br>the equity method is applied |                 | Separate<br>financial statements |                 |
|--------------------------------------------------------------------------|--------------------------------------------------------------|-----------------|----------------------------------|-----------------|
| Note                                                                     | 2013                                                         | 2012            | 2013                             | 2012            |
| Cash Flow from Operating Activities                                      |                                                              |                 |                                  |                 |
| Net profit before income tax                                             | (12,840,980.28)                                              | 39,884,759.96   | (13,075,337.02)                  | 40,103,144.63   |
| Adjustments to reconcile net profit for cash received (used)             |                                                              |                 |                                  |                 |
| Doubtful debts (reversal)                                                | (119,863.00)                                                 | (263,532.00)    | 3,766,116.38                     | (263,532.00)    |
| Depreciation and amortisation                                            | 461,675.10                                                   | 295,851.35      | 461,675.10                       | 295,851.35      |
| Share of loss of joint venture                                           | 3,974,625.82                                                 | 218,384.67      | -                                | -               |
| Gain on disposal of property, plant and equipment                        | -                                                            | (838.12)        | -                                | (838.12)        |
| Estimate from prosecuted cases                                           | 18,840,000.00                                                | -               | 18,840,000.00                    | -               |
| Loss on impairment investments                                           | -                                                            | -               | 373,003.18                       | -               |
| Cost of real estate development reduced to be cost of goods sold         | 31,730,547.46                                                | 55,949,303.70   | 31,730,547.46                    | 55,949,303.70   |
| Provisions for employee benefits                                         | 115,344.00                                                   | 107,420.91      | 115,344.00                       | 107,420.91      |
| Gain on provisions for employee benefits                                 | (313,057.91)                                                 | -               | (313,057.91)                     | -               |
| Interest income                                                          | (5,260,580.71)                                               | (2,935,516.73)  | (5,260,580.71)                   | (2,935,516.73)  |
| Interest expenses                                                        | 20,519.73                                                    | -               | 20,519.73                        | -               |
| Profit from operation before changes in operating assets and liabilities | 36,608,230.21                                                | 93,255,833.74   | 36,658,230.21                    | 93,255,833.74   |
| (Increase) decrease in trade and other receivables                       | 468,025.39                                                   | (217,288.57)    | 468,025.39                       | (217,288.57)    |
| (Increase) decrease in cost of real estate development                   | (18,066,667.73)                                              | (13,416,870.34) | (18,066,667.73)                  | (13,416,870.34) |
| (Increase) decrease in other non-current assets                          | (15,380.51)                                                  | (17,570.00)     | (15,380.51)                      | (17,570.00)     |
| Increase (decrease) in trade and other payables                          | (494,075.91)                                                 | (3,422,331.98)  | (494,075.91)                     | (3,422,331.98)  |
| Increase (decrease) in performance retention receipts from contractor    | (922,543.42)                                                 | (945,292.96)    | (922,543.42)                     | (945,292.96)    |
| Increase (decrease) in other non-current liabilities                     | (76,448.59)                                                  | (5,607.55)      | (76,448.59)                      | (5,607.55)      |
| Cash paid for employee benefit                                           | (748.05)                                                     | -               | (748.05)                         | -               |
| Cash generated from (used) from operating                                | 17,500,391.39                                                | 75,230,872.34   | 17,550,391.39                    | 75,230,872.34   |
| Cash paid for income tax                                                 | (9,208,276.26)                                               | (4,447,948.31)  | (9,208,276.26)                   | (4,447,948.31)  |
| Net Cash Provided (Used) from Operating Activities                       | 8,292,115.13                                                 | 70,782,924.03   | 8,342,115.13                     | 70,782,924.03   |

Notes to financial statements are an integral part of these financial statements

## BAAN ROCK GARDEN PUBLIC COMPANY LIMITED

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

(Unit : Baht)

|                                                                   | Notes | Financial statement in which<br>the equity method is applied |                 | Separate<br>financial statements |                 |
|-------------------------------------------------------------------|-------|--------------------------------------------------------------|-----------------|----------------------------------|-----------------|
|                                                                   |       | 2013                                                         | 2012            | 2013                             | 2012            |
| Cash Flow from Investing Activities                               |       |                                                              |                 |                                  |                 |
| (Increase) decrease in current investment                         |       | (30,000,000.00)                                              | (50,000,000.00) | (30,000,000.00)                  | (50,000,000.00) |
| Cash received from disposal assets                                |       | -                                                            | 841.12          | -                                | 841.12          |
| Cash paid for purchase of equipment                               |       | (655,237.50)                                                 | (1,337,157.75)  | (655,237.50)                     | (1,337,157.75)  |
| (Increase) decrease in long-term loan to joint venture            |       | -                                                            | (635,979.38)    | (50,000.00)                      | (635,979.38)    |
| (Increase) decrease in pledged deposits at financial institutions |       | (6,702.39)                                                   | (7,994.32)      | (6,702.39)                       | (7,994.32)      |
| Cash received from interest                                       |       | 5,260,580.71                                                 | 2,935,516.73    | 5,260,580.71                     | 2,935,516.73    |
| Net Cash Provided (Used) from Investing Activities                |       | (25,401,359.18)                                              | (49,044,773.60) | (25,451,359.18)                  | (49,044,773.60) |
| Cash Flow from Financing Activities                               |       |                                                              |                 |                                  |                 |
| Cash paid for liabilities under finance lease                     |       | (123,456.27)                                                 | -               | (123,456.27)                     | -               |
| Cash paid for interest                                            |       | (20,519.73)                                                  | -               | (20,519.73)                      | -               |
| Dividend paid                                                     |       | (3,000,412.01)                                               | (9,996,317.09)  | (3,000,412.01)                   | (9,996,317.09)  |
| Net Cash Provided (Used) from Investing Activities                |       | (3,144,388.01)                                               | (9,996,317.09)  | (3,144,388.01)                   | (9,996,317.09)  |
| Net Increase (decrease) in Cash and Cash Equivalents              |       | (20,253,632.06)                                              | 11,741,833.34   | (20,253,632.06)                  | 11,741,833.34   |
| Cash and Cash Equivalent at the Beginning of the Year             |       | 38,401,427.56                                                | 26,659,594.22   | 38,401,427.56                    | 26,659,594.22   |
| Cash and Cash Equivalent at the Ending of the Year                | 21.1  | 18,147,795.50                                                | 38,401,427.56   | 18,147,795.50                    | 38,401,427.56   |

Notes to financial statements are an integral part of these financial statements

## Notes to Financial Statements

### Baan Rock Garden Public Company Limited

#### Notes to Financial Statements

December 31, 2013

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#### 1. General information

Baan Rock Garden Public Company Limited (“the Company”) is a public limited company and is incorporated in Thailand. The Company is listed on Stock Exchange of Thailand. The address of the Company’s registered office is 601 Ramkhamheang 39 Pracha-Uthit Road, Wangthonglang, Bangkok.

The principal activities of the Company involve the business of real estate development in type of allotted houses so as for disposal while there is the project of completed development and being development in progress at Bangkok, Phuket and Samutprakan.

#### 2. Basis of preparation of financial statements

The financial statement in which the equity method is applied and separate financial statements are prepared in Thai language and Thai Baht, and in conformity with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543 (or 2000), being those Thai Accounting Standards issued under the Account Profession Act B.E. 2547 (or 2004), and the financial reporting requirements of the Capital Market Supervisory Board under the Securities and Exchange Act B.E.2535 (or 1992).

The financial statement in which the equity method is applied and separate financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Actual results may differ from those estimates. Although the management has most well prepared the figures of estimation from the understanding of events and the things that have been done presently.

The financial statement in which the equity method is applied and separate financial statements issued for Thai report 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 Federation of Accounting Profession (FAP) has notified to apply the following financial reporting standards to the financial statements having an accounting period beginning on or after January 1, 2013.

|                                                                             |                                                                                            |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| TFRS No. 8                                                                  | Operating Segments                                                                         |
| TAS No. 12                                                                  | Income Taxes                                                                               |
| TAS No. 20                                                                  | Accounting for Government Grants and Disclosure of Government Assistance<br>(revised 2009) |
| TAS No. 21                                                                  | The Effects of Changes in Foreign Exchange Rates (revised 2009)                            |
| TSI No. 10                                                                  | Government Assistance – No Specific Relation to Operating Activities                       |
| TSI No. 21                                                                  | Income Taxes – Recovery of Revalued Non-Depreciable Assets                                 |
| TSI No. 25                                                                  | Income Taxes – Change in the Tax Status of an Entity or its Shareholders                   |
| Guide to Accounting Practice : Transfer and Transferred of Financial Assets |                                                                                            |

The Company has adopted such financial reporting standards to the financial statements on the current period. The management believes that they don't have any significant impact on the financial statements for the current period except the implementation of TAS No.12 "Income Taxes" which have an effect to the financial statement as described in notes to financial statement no.4 and the implementation of TFRS No.8 "Operating Segments" as described in notes to financial statements no.24.

Moreover, the Federation of Accounting Profession has notified to apply the following financial reporting standards to the financial statements in the future periods.

|             |                                                                                                       | Effective date  |
|-------------|-------------------------------------------------------------------------------------------------------|-----------------|
| TFRS No. 2  | Share-based Payment (revised 2012)                                                                    | January 1, 2014 |
| TFRS No. 3  | Business Combinations (revised 2012)                                                                  | January 1, 2014 |
| TFRS No. 5  | Non-current Assets Held for Sale and Discontinued Operations (revised 2012)                           | January 1, 2014 |
| TFRS No. 8  | Operating Segments (revised 2012)                                                                     | January 1, 2014 |
| TAS No. 1   | Presentation of Financial Statements (revised 2012)                                                   | January 1, 2014 |
| TAS No. 7   | Statement of Cash Flows (revised 2012)                                                                | January 1, 2014 |
| TAS No. 12  | Income Taxes (revised 2012)                                                                           | January 1, 2014 |
| TAS No. 17  | Leases (revised 2012)                                                                                 | January 1, 2014 |
| TAS No. 18  | Revenue (revised 2012)                                                                                | January 1, 2014 |
| TAS No. 19  | Employee Benefits (revised 2012)                                                                      | January 1, 2014 |
| TAS No. 21  | The Effects of Changes in Foreign Exchange Rates (revised 2012)                                       | January 1, 2014 |
| TAS No. 24  | Related Party Disclosures (revised 2012)                                                              | January 1, 2014 |
| TAS No. 28  | Investments in Associates (revised 2012)                                                              | January 1, 2014 |
| TAS No. 31  | Interests in Joint Ventures (revised 2012)                                                            | January 1, 2014 |
| TAS No. 34  | Interim Financial Reporting (revised 2012)                                                            | January 1, 2014 |
| TAS No. 36  | Impairment of Assets (revised 2012)                                                                   | January 1, 2014 |
| TAS No. 38  | Intangible Assets (revised 2012)                                                                      | January 1, 2014 |
| TFRI No. 1  | Changes in Existing Decommissioning, Restoration and Similar Liabilities                              | January 1, 2014 |
| TFRI No. 4  | Determining whether an Arrangement contains a Lease                                                   | January 1, 2014 |
| TFRI No. 5  | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds  | January 1, 2014 |
| TFRI No. 7  | Applying the Restatement Approach under TAS No. 29 Financial Reporting in Hyperinflationary Economies | January 1, 2014 |
| TFRI No. 10 | Interim Financial Reporting and Impairment                                                            | January 1, 2014 |
| TFRI No. 12 | Service Concession Arrangements                                                                       | January 1, 2014 |
| TFRI No. 13 | Customer Loyalty Programmes                                                                           | January 1, 2014 |
| TFRI No. 17 | Distributions of Non-cash Assets to Owners                                                            | January 1, 2014 |
| TFRI No. 18 | Transfers of Assets from Customers                                                                    | January 1, 2014 |
| TSI No. 15  | Operating Leases-Incentives                                                                           | January 1, 2014 |
| TSI No. 27  | Evaluating the Substance of Transactions Involving the Legal Form of a Lease                          | January 1, 2014 |
| TSI No. 29  | Service Concession Arrangements : Disclosures                                                         | January 1, 2014 |
| TSI No. 32  | Intangible Assets-Web Site Costs                                                                      | January 1, 2014 |
| TFRS No. 4  | Insurance Contracts                                                                                   | January 1, 2016 |

The Company has not early adopted such financial reporting standards having the effective date to the financial statements on the future periods before the effective dates. The management is currently assessing the first-year impact on the Company's financial statements.

### 3. Accounting policies

#### 3.1 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less and free from restrictions.

#### 3.2 Trade accounts receivable

Trade accounts receivable are carried in the statement of financial position at the amount expected to be collectible. Allowance for doubtful receivables are estimated by percentage of accounts receivable which is assessed primarily on analysis of payment histories and review of all outstanding amounts at the end of the reporting period. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified.

#### 3.3 Cost of real estate development

Cost of real estate development is reflected according to the cost price or net realizable value whichever is lower. Cost price is composed of cost of land acquisition, land development, project construction cost and public utility system. The Company records the cost of real estate development as cost of goods sold by appropriating the whole cost of development anticipated to incur (by taking the actual cost) to the houses plus land sold in accordance with the basis of area sales.

#### 3.4 Land development cost

Land development cost means the land the Company aims to hold for the future benefit and recorded as non current asset by reflecting according to the cost price which may adjust by allowance for asset impairment. The cost price is composed by land fee and other related expense so as to acquire the land.

#### 3.5 Investments in joint venture

Joint venture is the entity the Company is materially influential or mutually in the decision making in respect of investment policy and operation but not yet control in such policy. Investment in

joint venture is reflected in the financial statements which reflected by investment according to equity method by using equity method. Such method will record participating profit or loss after acquisition on behalf of the Company in joint venture in the profit or loss. The accumulated result of the change after the acquisition will be adjusted against book value of investment. Investment in joint venture in the separate financial statements is recorded by cost method after deducting allowance for impairment of investment.

### 3.6 Property, plant and equipment

Land and assets under construction held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their historical cost less accumulated depreciation and accumulated impairment losses (if any).

Buildings and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their historical cost less accumulated depreciation and accumulated impairment losses (if any).

The cost of an item of asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The Company depreciation is calculated on the straight-line method to write off the cost of each asset, except for assets under construction, to their residual values over their estimated useful life as follows:

|                                   |         |
|-----------------------------------|---------|
| Building                          | 20 year |
| Fixture and building improvements | 10 year |
| Vehicles                          | 5 year  |
| Office equipment                  | 5 year  |

The residual value, the useful life and the depreciation method of an asset will be reviewed at least at each financial year-end.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### 3.7 Accounting for leases

Where the Company is the lessee

Long term leases which substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged in profit or loss over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases while depreciation is carried throughout the useful life of leased asset. However, if there is uncertainty in the right of ownership when the contract is terminated, depreciation is carried according to useful life of leased assets or life of leased contract whichever the period is lower.

Long term leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

### 3.8 Impairment of assets

The carrying amounts of the Company's assets and also intangible assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The Company will recognize impairment losses in profit or loss, or reduce the revaluation increment in assets in case that those assets are previously revalued. The reversal of impairment losses will be recognized in profit or loss or as a revaluation increment in assets when there is an indication that the impairment losses are no longer exist or decreased.

### 3.9 Intangible assets

Intangible assets that are acquired by the Company, which have finite useful lives, are stated at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives (5 years).

### 3.10 Provisions

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

### 3.11 Recognition of revenue

The Company recognizes the whole revenue from the sale of real estate as revenue when the sellers have transferred the material risk and benefit in such real estate to purchasers. When there is the arrangement of the contract of purchase and sell which is enforceable according to the law, the first down payment and installment fee which received but not yet counted to recognize as revenue will be recorded as deposit receipt from the sale of real estate.

Interest revenue is recognized using the effective interest method.

Other revenue is recognized according to the accrual basis.

### 3.12 Retirement benefit costs

#### Defined contribution plan

The Company operates a provident fund which is funded by payments from employees and by the Company. The assets for which are held in a separate trust fund. Contributions to the provident fund are recognized in profit or loss in the period in which they are incurred.

#### Defined benefit plan

The Company has the employee benefit obligation in case of retirement or termination under the labor law. The Company hires an actuary to calculate on an actuarial technique the said employee benefit obligation. The said employee benefit obligation is discounted using the projected unit credit method by reference to an interest rate of a government bond to determine the present value of the employee benefit obligation, related past service cost and current service cost. All actuarial gains and losses are recognized immediately in profit or loss.

### 3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily takes a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### 3.14 Income tax

The Company recognizes the unpaid current tax for current period as a liability in the statement of financial position. In a case where the amount already paid in respect of current period exceeds the amount due for such period, the excess will be recognized as an asset in the statement of financial position.

The Company recognizes a deferred tax liability for all taxable temporary difference, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which affects neither accounting profit nor taxable profit at the time of the transaction. The Company recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in interest in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. And the Company recognizes a deferred tax asset for all deductible temporary differences arising from investment in interest in joint ventures, to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The Company measures the current tax liabilities and assets for the current period using the tax rate that have been enacted by the end of the reporting period. And the deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that have been enacted or substantively enacted by the end of the reporting period.

The Company recognizes the current and deferred tax as an income or an expense and includes it in profit or loss for the period, except the current and deferred tax for items that are recognized in the other comprehensive income or directly in the equity will be recognized in the other comprehensive income or directly in the equity.

#### 3.15 Financial instruments

Financial assets and liabilities carried on the statement of financial position include cash and cash equivalents, trade and other receivables, trade and other payables, and loan receivables and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this note.

#### 3.16 The important accounting estimates, supposition and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Plant, equipment and intangible assets

Management determines the estimated useful lives and residual values for the Company's plant equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or its will write off or write down technically obsolete or assets that have been abandoned or sold.

### 4. Change in accounting policy

From January 1, 2013 onward, the Company applied TAS No.12 "Income Taxes". The accounting standard requires that the Company is required to recognize the deferred tax liabilities or the deferred tax assets when the temporary difference between the tax base and the carrying amount of the asset or the liability is occurred. Previously, the Company doesn't recognize such transaction. The Company applied the retrospective adjustment to the comparative financial information.

The amount of adjustment, which effects to the financial statements on applying the accounting standard, as follows:

## Notes to Financial Statements

(Unit : Baht)

Statements of financial position in which the

equity method is applied

Separate statements of financial position

As at

|                                  | <u>December 31,</u> | <u>December 31,</u> | <u>January 1,</u> | <u>December 31,</u> | <u>December 31,</u> | <u>January 1,</u> |
|----------------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|
|                                  | <u>2013</u>         | <u>2012</u>         | <u>2012</u>       | <u>2013</u>         | <u>2012</u>         | <u>2012</u>       |
| Increases in deferred tax assets | 2,486,286.65        | 3,170,746.76        | 3,156,423.84      | 2,486,286.65        | 3,119,109.09        | 3,155,014.64      |
| Increases in retained earnings   | 2,486,286.65        | 3,170,746.76        | 3,156,423.84      | 2,486,286.65        | 3,119,109.09        | 3,155,014.64      |

(Unit : Baht)

Statements of comprehensive income in which the

equity method is applied

Separate statement of comprehensive income

|                                                   | <u>2013</u>  | <u>2012</u> | <u>2013</u>  | <u>2012</u> |
|---------------------------------------------------|--------------|-------------|--------------|-------------|
| Increase (decrease) in income tax expense         | 684,460.11   | (14,322.92) | 632,822.44   | 35,905.55   |
| Increase (decrease) in total comprehensive income | (684,460.11) | 14,322.92   | (632,822.44) | (35,905.55) |
| Increase (decrease) in basic earnings per share   | (0.00067)    | 0.00001     | (0.00062)    | (0.00004)   |

## 5. Related party transactions

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

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

The Company's major shareholder is the Silaparat family, holding 20.89% (2012 : 18.61%) Chamaraman family is a shareholder, holding 9.20% (2012 : 7.03%) and Chinprapinporn family is a shareholder, holding 21.01% (2012 : 21.01%) of the share capital of the Company. Transactions related to companies in which the Silaparat family, Chamaraman family and Chinprapinporn family are the principal shareholders or directors are recognized as related parties to the Company.

Transactions with related parties during the years ended December 31, 2013 and 2012 as follows :

#### 5.1 Inter-assets and liabilities

| (Unit : Baht)                             |                                                                                           |                       |
|-------------------------------------------|-------------------------------------------------------------------------------------------|-----------------------|
|                                           | Financial statement in which the equity method is applied / Separate financial statements |                       |
|                                           | <u>2013</u>                                                                               | <u>2012</u>           |
| Current investment                        |                                                                                           |                       |
| Ratchthani Leasing Public Company Limited |                                                                                           |                       |
| Beginning balance                         | 100,000,000.00                                                                            | 50,000,000.00         |
| Increase during the year                  | 35,000,000.00                                                                             | 50,000,000.00         |
| Decrease during the year                  | (5,000,000.00)                                                                            | -                     |
| Ending balance                            | <u>130,000,000.00</u>                                                                     | <u>100,000,000.00</u> |

| (Unit : Baht)                                                                            |                                                           |                     |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------|---------------------|
|                                                                                          | Financial statement in which the equity method is applied |                     |
|                                                                                          | <u>2013</u>                                               | <u>2012</u>         |
| Long-term loan to joint venture                                                          |                                                           |                     |
| Yamu Property Development Company Limited                                                |                                                           |                     |
| Beginning balance                                                                        | 3,835,979.38                                              | 3,200,000.00        |
| Increase during the year                                                                 | 50,000.00                                                 | 635,979.38          |
| Decrease during the year                                                                 | -                                                         | -                   |
| Decrease from recognizing losses exceeds carrying amount of investments in joint venture | (3,885,979.38)                                            | -                   |
| Ending balance                                                                           | <u>-</u>                                                  | <u>3,835,979.38</u> |

## Notes to Financial Statements

(Unit : Baht)

## Separate financial statements

|                                           | <u>2013</u>    | <u>2012</u>  |
|-------------------------------------------|----------------|--------------|
| Long-term loan to joint venture           |                |              |
| Yamu Property Development Company Limited |                |              |
| Beginning balance                         | 3,835,979.38   | 3,200,000.00 |
| Increase during the year                  | -              | 635,979.38   |
| Decrease during the year                  | -              | -            |
| Ending balance                            | 3,835,979.38   | 3,835,979.38 |
| <u>Less</u> Allowance for doubtful debt   | (3,835,979.38) | -            |
| Net                                       | -              | 3,835,979.38 |

(Unit : Baht)

Financial statement in which the  
equity method is applied  
/Separate financial statements

|                                   | <u>2556</u>  | <u>2555</u>  |
|-----------------------------------|--------------|--------------|
| Provision – interest of loan      |              |              |
| Beginning balance                 | 6,627,996.31 | 6,627,996.31 |
| Interest expenses during the year | -            | -            |
| Repayment during the year         | -            | -            |
| Ending balance                    | 6,627,996.31 | 6,627,996.31 |

Current investment is the investment in promissory note, maturity in three months, issued by Ratchthani Leasing Public Company Limited and carried interest rate of 4.25-4.75% per annum. (2012 : 4.25-4.75% per annum )

Long-term loan to joint venture has contract without repayment schedule and no interest charged.

## 5.2 Inter revenues and expenses

Inter revenues and expenses during the years ended December 31, 2013 and 2012 are as follow : -

|                                    | (Unit : Baht)                                                                               |              |
|------------------------------------|---------------------------------------------------------------------------------------------|--------------|
|                                    | Financial statement in which the equity method is applied/<br>Separate financial statements |              |
|                                    | <u>2013</u>                                                                                 | <u>2012</u>  |
| Interest Income                    |                                                                                             |              |
| Ratchthani Leasing Public Co.,Ltd. | 5,260,580.71                                                                                | 2,708,081.97 |
| Rental and Service fee             |                                                                                             |              |
| Rock Garden Group Co., Ltd         | 2,410,250.00                                                                                | 1,740,544.00 |
| Entertainment expense              |                                                                                             |              |
| Phowatchara Co.,Ltd                | 623,810.00                                                                                  | 535,187.90   |
| Aom Noi Hattasat Co.,Ltd           | 585,000.00                                                                                  | 495,000.00   |

## 5.3 Management benefit expenses

Management benefit expenses for the years ended December 31, 2013 and 2012 are as follow:-

|                              | (Unit : Baht)                                                                              |                     |
|------------------------------|--------------------------------------------------------------------------------------------|---------------------|
|                              | Financial statement in which the equity method is applied/<br>Separate financial statement |                     |
|                              | <u>2013</u>                                                                                | <u>2012</u>         |
| Short-term employee benefits | 5,260,580.71                                                                               | 4,102,300.00        |
| Post-employment benefits     | 102,307.00                                                                                 | 95,292.87           |
|                              | <u>4,244,707.00</u>                                                                        | <u>4,197,592.87</u> |

## 5.4 Pricing policies

| Trading Transactions                      | Pricing Policy                                                                    |
|-------------------------------------------|-----------------------------------------------------------------------------------|
| Interest receipted for Current investment | Refer with market interest rate                                                   |
| Interest payable for long term loan       | Interest is payable in the rate which mutually agreed in the contract (note no.7) |
| Office rental                             | Refer with the market price which locates in the same area.                       |
| Entertainment expense                     | Cost price + 9% to 62%                                                            |

## 5.5 Relationship

| <u>Companies Name</u>               | <u>Nature of Relationship</u>          |
|-------------------------------------|----------------------------------------|
| Yamu Property Development Limited   | Common directors and shareholders      |
| Rock Garden Group Co., Ltd.         | Common directors and shareholders      |
| Rock Garden Beach Co.,Ltd.          | Common directors and shareholders      |
| C and C N Group Co, Ltd.            | Common directors and shareholders      |
| Guilin Panggha Co., Ltd.            | Common directors and shareholders      |
| Chucheeep Housing Land Co.,Ltd      | Common directors and shareholders      |
| Choocheep Northern Group Co.,Ltd.   | Common directors and shareholders      |
| Phowatchara Co.,Ltd                 | Common directors and shareholders      |
| Phukao Hauchang Pungnga Co.,Ltd     | Common directors and shareholders      |
| Ratchada Power Plus Co.,Ltd         | Common directors and shareholders      |
| Ratchthani Leasing Public Co., Ltd. | Common directors and some shareholders |
| City and Associate Co.,Ltd          | Common directors and some shareholders |
| Car 2 Buy Co.,Ltd                   | Common directors and some shareholders |
| Chaleamcheep Co.,Ltd                | Common directors and some shareholders |
| City Wood Co.,Ltd                   | Common directors and some shareholders |
| CS Real Estate Co.,Ltd              | Common directors and some shareholders |
| Hua Hin Sea-view Paradise Co.,Ltd   | Common directors and some shareholders |
| Aom Noi Hattasat Co.,Ltd            | Common directors and some shareholders |
| R G Star Club Co., Ltd.             | Shareholding by directors of Company   |

## 5.6 Commitments with related parties

As at December 31, 2013 and 2012, the Company has entered into lease agreements for office space and service with one related company for 1 year with options to renew. The Company constitutes obligation commitment that has to repay for such rental under these agreements amounting to approximately Baht 0.17 million per month.

## 6. Trade and other receivables

Consisted of :-

(Unit : Baht)

Financial statement in which the equity method is applied/

Separate financial statements

|                                                                   | <u>2013</u>                | <u>2012</u>                |
|-------------------------------------------------------------------|----------------------------|----------------------------|
| Trade accounts receivable                                         | 8,200.00                   | 164,800.50                 |
| <u>Less</u> Allowance for doubtful debt-trade accounts receivable | -                          | (119,863.00)               |
|                                                                   | <u>8,200.00</u>            | <u>44,937.50</u>           |
| Other receivables                                                 | 53,167.79                  | 47,159.88                  |
| Advance-subcontractor                                             | 2,454,553.61               | 2,454,553.61               |
| Advance-staff                                                     | 34,999.35                  | 200,892.45                 |
| Prepaid expense                                                   | 1,251,624.57               | 1,351,714.24               |
| Withholding tax                                                   | 73,342.02                  | -                          |
| Total                                                             | <u>3,831,687.34</u>        | <u>4,054,320.18</u>        |
| <u>Less</u> Allowance for doubtful debt-advance for subcontractor | <u>(2,234,988.53)</u>      | <u>(2,219,538.50)</u>      |
|                                                                   | <u>1,596,698.81</u>        | <u>1,834,781.68</u>        |
| Total                                                             | <u><u>1,604,898.81</u></u> | <u><u>1,879,719.18</u></u> |

Outstanding trade accounts receivable as at December 31, 2013 and 2012 can be aged as follow :

(Unit : Baht)

Financial statement in which the equity method is applied /

Separate financial statements

|                                                        | <u>2013</u>            | <u>2012</u>             |
|--------------------------------------------------------|------------------------|-------------------------|
| Overdue not exceeding 3 months                         | -                      | 44,937.50               |
| Overdue more than 3 months but not exceeding 6 months  | -                      | -                       |
| Overdue more than 6 months but not exceeding 12 months | 8,200.00               | -                       |
|                                                        | <u>-</u>               | <u>119,863.00</u>       |
| Total                                                  | <u>8,200.00</u>        | <u>164,800.50</u>       |
| <u>Less</u> Allowance for doubtful debt                | <u>-</u>               | <u>(119,863.00)</u>     |
| Net                                                    | <u><u>8,200.00</u></u> | <u><u>44,937.50</u></u> |

## Notes to Financial Statements

The movement of allowance for doubtful debt-trade accounts receivable for the year ended December 31, 2013 and 2012 are as follows :

(Unit : Baht)

|                          | Financial statement in which the equity method is applied/<br>Separate financial statements |                     |
|--------------------------|---------------------------------------------------------------------------------------------|---------------------|
|                          | <u>2013</u>                                                                                 | <u>2012</u>         |
| Beginning balance        | (119,863.00)                                                                                | (383,395.00)        |
| Increase during the year | -                                                                                           | -                   |
| Decrease during the year | <u>119,863.00</u>                                                                           | <u>263,532.00</u>   |
| Ending balance           | <u>-</u>                                                                                    | <u>(119,863.00)</u> |

The movement of allowance for doubtful debt-advance-subcontractor for the year ended December 31, 2013 and 2012 are as follows:

(Unit : Baht)

|                          | Financial statement in which the equity method is applied/<br>Separate financial statements |                       |
|--------------------------|---------------------------------------------------------------------------------------------|-----------------------|
|                          | <u>2013</u>                                                                                 | <u>2012</u>           |
| Beginning balance        | (2,219,538.50)                                                                              | (2,219,538.50)        |
| Increase during the year | (15,450.03)                                                                                 | -                     |
| Decrease during the year | <u>-</u>                                                                                    | <u>-</u>              |
| Ending balance           | <u>(2,234,988.53)</u>                                                                       | <u>(2,219,538.50)</u> |

## 7. Cost of real estate development

|                                          | (Unit : Baht)                                                                               |                  |
|------------------------------------------|---------------------------------------------------------------------------------------------|------------------|
|                                          | Financial statement in which the equity method is applied/<br>Separate financial statements |                  |
|                                          | 2013                                                                                        | 2012             |
| Houses for sale                          | 94,343,948.00                                                                               | 94,343,948.00    |
| Land development                         | 472,377,506.36                                                                              | 479,226,271.28   |
| Construction in progre                   | 803,028,795.54                                                                              | 778,511,989.31   |
| Total                                    | 1,369,750,249.90                                                                            | 1,352,082,208.59 |
| Less Transfer to cost of sales           | (876,504,430.50)                                                                            | (844,773,883.04) |
| Transfer to property plant and equipment | (1,387,885.95)                                                                              | (398,626.42)     |
| Cost of real estate development          | 491,857,933.45                                                                              | 506,909,699.13   |

As at December 31, 2013, amount in accordance with that performed the contract of purchase and sale until presently carried the amount of Baht 1,835.14 millions. (2012 : Baht 1,738.18 millions)

The Company borrows loan from two shareholders while the contract is agreed to repay the loan cost by transferring land after development in number of 5 Rais to such borrowers on November 30, 2006 (date which is due for loan repayment). Moreover, on October 5, 2010, two shareholders have prepared letter of land ownership transfer in number of 5 Rais to one director who is solely ownership in such land without any remuneration fee. As at December 31, 2013 such land, carried the value of Baht 6.63 millions, (2012 : Baht 6.63 millions) has not been transferred to the shareholders.

As at December 31, 2013, the some cost of real estate development with the carrying amount of Baht 519.10 million (2012 : Baht 405.46 millions) that are expected to be sold more than twelve months after the reporting period.

## 8. Investment in joint venture

The nature and carrying value of investment in joint venture as at December 31, 2013 and 2012 can be summarised as follows:

| Name of<br>joint venture                           | (Unit : Baht)   |              |              |       | (Unit : Baht)  |              |               |            |
|----------------------------------------------------|-----------------|--------------|--------------|-------|----------------|--------------|---------------|------------|
|                                                    | Paid up capital |              | % of holding |       | Cost method    |              | Equity method |            |
|                                                    | 2013            | 2012         | 2013         | 2012  | 2013           | 2012         | 2013          | 2012       |
| Yamu Property<br>Development Co.,Ltd.              | 2,000,000.00    | 2,000,000.00 | 50.00        | 50.00 | 1,000,000.00   | 1,000,000.00 | -             | 114,814.86 |
| <u>Less</u> Allowance for impairment of investment |                 |              |              |       | (1,000,000.00) | (626,996.82) | -             | -          |
| Net                                                |                 |              |              |       | -              | 373,003.18   | -             | 114,814.86 |

The Company recognizes the share of loss in the joint venture until the Company's interest is reduced to zero. Moreover, the Company recognizes the share of loss which is excess than the Company's interest by decreasing the long-term loan to the joint venture account because the Company has the constructive obligation in the joint venture.

Aggregate amounts of each transaction related to the Company's interest in joint venture as at December 31, 2013 and 2012 are as follows:

|                        | (Unit : Baht)  |              |
|------------------------|----------------|--------------|
|                        | <u>2013</u>    | <u>2012</u>  |
| Current assets         | 70,222.55      | 236,643.43   |
| Non-Current assets     | 74.99          | 3,759,063.10 |
| Current Liabilities    | 44,428.14      | 44,931.25    |
| Non-Curent liabilities | 3,885,707.36   | 3,835,979.38 |
| Revenue                | 465.35         | 461.74       |
| Expense                | (3,975,091.17) | (218,861.70) |

## 9. Land development costs

|                                      | (Unit : Baht)                                                                               |                       |
|--------------------------------------|---------------------------------------------------------------------------------------------|-----------------------|
|                                      | Financial statement in which the equity method is applied/<br>Separate financial statements |                       |
|                                      | 2013                                                                                        | 2012                  |
| Cost of land                         | 612,442,734.11                                                                              | 612,442,734.11        |
| <u>Less</u> Allowance for impairment | <u>(5,279,300.00)</u>                                                                       | <u>(5,279,300.00)</u> |
| Land development cost                | <u>607,163,434.11</u>                                                                       | <u>607,163,434.11</u> |

As at December 31, 2013 and 2012, the Company has the land development with cost of Baht 38.18 million is mortgaged as collateral for credit facilities of bank overdraft, long-term loans and letter of guarantee from bank, moreover two directors of the company have guaranteed in full amount of credit line.

## 10. Property, plant and equipment

Consist of :

|                            | (Unit : Baht)                                                                            |              |                  |                           |                |                |
|----------------------------|------------------------------------------------------------------------------------------|--------------|------------------|---------------------------|----------------|----------------|
|                            | Financial statement in which the equity method is applied / Separate financial statement |              |                  |                           |                |                |
|                            | Land                                                                                     | Building     | Office equipment | Furniture and improvement | Vehicle        | Total          |
| Cost:-                     |                                                                                          |              |                  |                           |                |                |
| As at January 1, 2013      | -                                                                                        | 715,364.58   | 3,290,197.6      | 946,873.04                | 5,308,910.82   | 10,261,346.11  |
| Purchase                   | -                                                                                        | -            | 122,987.50       | -                         | 1,319,000.00   | 1,441,987.50   |
| Transfer in                | 92,836.04                                                                                | 1,295,049.91 | -                | -                         | -              | 1,387,885.95   |
| Disposal                   | -                                                                                        | -            | -                | -                         | -              | -              |
| Transfer out               | -                                                                                        | -            | -                | -                         | -              | -              |
| As at December 31, 2013    | 92,836.04                                                                                | 2,010,414.49 | 3,413,185.17     | 946,873.04                | 6,627,910.82   | 13,091,219.56  |
| Accumulated depreciation:- |                                                                                          |              |                  |                           |                |                |
| As at January 1, 2013      | -                                                                                        | (39,428.69)  | (2,646,207.50)   | (651,252.14)              | (4,244,303.08) | (7,581,191.41) |
| Depreciation for the year  | -                                                                                        | (159,393.88) | (302,281.22)     | -                         | -              | (461,675.10)   |
| Disposal                   | -                                                                                        | -            | -                | -                         | -              | -              |
| As at December 31, 2013    | -                                                                                        | (198,822.57) | (2,948,488.72)   | (651,252.14)              | (4,244,303.08) | (8,042,866.51) |
| Net book value             |                                                                                          |              |                  |                           |                |                |
| As at December 31, 2013    | 92,836.04                                                                                | 1,811,591.92 | 464,696.45       | 295,620.90                | 2,383,607.74   | 5,048,353.05   |

Depreciation in the statements of comprehensive income for the years ended December 31, 2013 (461,675.10)

## Notes to Financial Statements

(Unit : Baht)

|                            | Financial statement in which the equity method is applied / Separate financial statement |                  |                           |                |                          |                |
|----------------------------|------------------------------------------------------------------------------------------|------------------|---------------------------|----------------|--------------------------|----------------|
|                            | Building                                                                                 | Office equipment | Furniture and improvement | Vehicle        | Construction in progress | Total          |
| Cost:-                     |                                                                                          |                  |                           |                |                          |                |
| As at January 1, 2012      | -                                                                                        | 3,075,579.22     | 764,808.04                | 5,093,294.67   | -                        | 8,933,681.93   |
| Purchase                   | 42,073.23                                                                                | 224,112.02       | 182,065.00                | 215,616.15     | 673,291.35               | 1,337,157.75   |
| Transfer in                | 673,291.35                                                                               | -                | -                         | -              | -                        | 673,291.35     |
| Disposal                   | -                                                                                        | (9,493.57)       | -                         | -              | -                        | (9,493.57)     |
| Transfer out               | -                                                                                        | -                | -                         | -              | (673,291.35)             | (673,291.35)   |
| As at December 31, 2012    | 715,364.58                                                                               | 3,290,197.67     | 946,873.04                | 5,308,910.82   | -                        | 10,261,346.11  |
| Accumulated depreciation:- |                                                                                          |                  |                           |                |                          |                |
| As at January 1, 2012      | -                                                                                        | (2,491,605.66)   | (576,925.10)              | (4,226,299.87) | -                        | (7,294,830.63) |
| Depreciation for the year  | (39,428.69)                                                                              | (164,092.41)     | (74,327.04)               | (18,003.21)    | -                        | (295,851.35)   |
| Disposal                   | -                                                                                        | 9,490.57         | -                         | -              | -                        | 9,490.57       |
| As at December 31, 2012    | (39,428.69)                                                                              | (2,646,207.50)   | (651,252.14)              | (4,244,303.08) | -                        | (7,581,191.41) |
| Net book value             |                                                                                          |                  |                           |                |                          |                |
| As at December 31, 2012    | 675,935.89                                                                               | 643,990.17       | 295,620.90                | 1,064,607.74   | -                        | 2,680,154.70   |

Depreciation in the statements of comprehensive income for the years ended December 31, 2012 (295,851.35)

As at December 31, 2013, certain equipment of the Company have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 8.28 million. (2012 : Baht 7.62 million)

Vehicle under finance leases, where the Company is lessee with net book value as at December 31, 2013 of Baht 1.00 million.

## 11. Pledged deposits at financial institutions

As at December 31, 2013 and 2012, the Company constitutes Baht 0.41 million fixed deposit with a commercial bank as collateral against its electricity usage, transformers and maintenance fees for public utilities or public services.

## 12. Deferred tax assets

Change in the deferred tax assets for the year ended December 31, 2013 and 2012 are as follows:

(Unit : Baht)

|                              | Financial statement in which the equity method is applied |                                 |                      |                                 |                      |
|------------------------------|-----------------------------------------------------------|---------------------------------|----------------------|---------------------------------|----------------------|
|                              | As at                                                     |                                 |                      |                                 |                      |
|                              | January 1,<br>2012                                        | Recognized in<br>profit or loss | December 31,<br>2012 | Recognized in<br>profit or loss | December 31,<br>2013 |
| Trade and other receivables  | 528,492.66                                                | (60,612.36)                     | 467,880.30           | (467,880.30)                    | -                    |
| Investments in joint venture | 126,808.56                                                | 50,228.47                       | 177,037.03           | (177,037.03)                    | -                    |
| Land development costs       | 1,055,860.00                                              | -                               | 1,055,860.00         | -                               | 1,055,860.00         |
| Provision - interest of loan | 1,325,599.26                                              | -                               | 1,325,599.26         | -                               | 1,325,599.26         |
| Employee benefit obligation  | 119,663.36                                                | 24,706.81                       | 144,370.17           | (39,542.78)                     | 104,827.39           |
| Total deferred tax assets    | 3,156,423.84                                              | 14,322.92                       | 3,170,746.76         | (684,460.11)                    | 2,486,286.65         |

(Unit : Baht)

|                              | Separate financial statements |                                 |                      |                                 |                      |
|------------------------------|-------------------------------|---------------------------------|----------------------|---------------------------------|----------------------|
|                              | As at                         |                                 |                      |                                 |                      |
|                              | January 1,<br>2012            | Recognized in<br>profit or loss | December 31,<br>2012 | Recognized in<br>profit or loss | December 31,<br>2013 |
| Trade and other receivables  | 528,492.66                    | (60,612.36)                     | 467,880.30           | (467,880.30)                    | -                    |
| Investments in joint venture | 125,399.36                    | -                               | 125,399.36           | (125,399.36)                    | -                    |
| Land development costs       | 1,055,860.00                  | -                               | 1,055,860.00         | -                               | 1,055,860.00         |
| Provision - interest of loan | 1,325,599.26                  | -                               | 1,325,599.26         | -                               | 1,325,599.26         |
| Employee benefit obligation  | 119,663.36                    | 24,706.81                       | 144,370.17           | (39,542.78)                     | 104,827.39           |
| Total deferred tax assets    | 3,155,014.64                  | (35,905.55)                     | 3,119,109.09         | (632,822.44)                    | 2,486,286.65         |

The deferred tax asset is not recognized in the statement of financial position; consisted of:-

(Unit : Baht)

|                       | Financial statement in which the equity method is applied |             | Separate financial statements |             |
|-----------------------|-----------------------------------------------------------|-------------|-------------------------------|-------------|
|                       | <u>2013</u>                                               | <u>2012</u> | <u>2013</u>                   | <u>2012</u> |
| Temporary differences | 5,196,959.90                                              | -           | 5,192,193.58                  | -           |

### 13. Trade and other payables

Consisted of :-

(Unit : Baht)

Financial statement in which the equity method is  
applied / Separate financial statements

|                                      | <u>2013</u>         | <u>2012</u>         |
|--------------------------------------|---------------------|---------------------|
| Trade payable and subcontractors     | 1,084,813.80        | 1,778,813.29        |
| Deposit from disposal of real estate | 990,000.00          | 570,000.00          |
| Retention receipt from contractors   | 1,084,065.71        | 1,732,197.19        |
| Accrued dividend                     | 4,760.34            | 5,102.35            |
| Accrued expenses                     | 1,866,373.17        | 1,804,175.26        |
| Withholding tax payable              | 76,241.59           | 117,889.46          |
| Other payables                       | 68,942.06           | 57,413.69           |
| Total                                | <u>5,175,196.67</u> | <u>6,065,591.24</u> |

### 14. Obligation under finance lease

Obligation under finance lease - minimum lease payments:

(Unit : Baht)

|                               | <u>2013</u>                       |                                   |                   | <u>2012</u>                       |                                   |          |
|-------------------------------|-----------------------------------|-----------------------------------|-------------------|-----------------------------------|-----------------------------------|----------|
|                               | Obligation under<br>finance lease | Deferred finance<br>lease charges | Net               | Obligation under<br>finance lease | Deferred finance<br>lease charges | Net      |
| ไม่เกิน 1 ปี                  | 215,964.00                        | (28,113.74)                       | 187,850.26        | -                                 | -                                 | -        |
| เกินกว่า 1 ปี แต่ไม่เกิน 4 ปี | 503,916.00                        | (28,472.53)                       | 475,443.47        | -                                 | -                                 | -        |
| รวม                           | <u>719,880.00</u>                 | <u>(56,586.27)</u>                | <u>663,293.73</u> | <u>-</u>                          | <u>-</u>                          | <u>-</u> |

As at December 31, 2013, the Company had entered into lease agreement with a leasing company for provide vehicle for company operation. The Company had to pay rental in the amount of Baht 17,997.00 per month with a 4 years period, with guarantee by two directors.

## 15. Employee benefit obligation

As at December 31, 2013 and 2012, the Company has the employee benefit obligation in case of retirement or hiring cancellation under the labor law. The Company hires an actuary to calculate on an actuarial technique the said employee benefit obligation. The said employee benefit obligation is discounted using the projected unit credit method by reference to an interest rate of a government bond to determine the present value of the employee benefit obligation, related past service cost and current service cost.

As at December 31, 2013, the Company recognizes the employee benefit obligation as the liability in amount of Baht 0.52 million (2012: Baht 0.72 million) in the financial statement in which the equity is applied and separate financial statements.

Changes in the present value of the employee benefit obligation for the years ended December 31, 2013 and 2012 are as follows :

|                                               | (Unit : Baht)                                                                               |                   |
|-----------------------------------------------|---------------------------------------------------------------------------------------------|-------------------|
|                                               | Financial statement in which the equity method is applied/<br>Separate financial statements |                   |
|                                               | <u>2013</u>                                                                                 | <u>2012</u>       |
| Employee benefit obligation as at January 1   | 721,850.87                                                                                  | 614,429.96        |
| Current service cost                          | 81,642.00                                                                                   | 78,357.53         |
| Interest cost                                 | 33,702.00                                                                                   | 29,063.38         |
| Benefit paid                                  | (748.05)                                                                                    | -                 |
| Gain from estimate                            | (313,057.91)                                                                                | -                 |
| Employee benefit obligation as at December 31 | <u>523,388.91</u>                                                                           | <u>721,850.87</u> |

Principal actuarial assumptions as at December 31, 2013 and 2012 are as follows :

|                                                     | (Unit : Baht)                                                                               |                |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------|----------------|
|                                                     | Financial statement in which the equity method is applied/<br>Separate financial statements |                |
|                                                     | <u>2013</u>                                                                                 | <u>2012</u>    |
| Discount rate at end of period                      | 4.19%                                                                                       | 4.19%          |
| Future salary increase                              | 2.25% - 3.98%                                                                               | 2.25% - 3.98%  |
| Proportion of employees opting for early retirement | 0.00% - 20.00%                                                                              | 0.00% - 20.00% |

## 16. Share capital

The movement of share capital for the years ended December 31, 2013 and 2012 are as follow:-

|                                                        | Number of shares<br>(Unit : share) | Amount<br>(Unit : Baht) |
|--------------------------------------------------------|------------------------------------|-------------------------|
| Registered share capital (Baht 1 per share)            |                                    |                         |
| As at January 1, 2012                                  | 1,000,000,000                      | 1,000,000,000.00        |
| Issue of share during the year                         | -                                  | -                       |
| As at December 31, 2012                                | 1,000,000,000                      | 1,000,000,000.00        |
| Issue of share during the year                         | 25,000,000                         | 25,000,000.00           |
| As at December 31, 2013                                | 1,025,000,000                      | 1,025,000,000.00        |
| Issued and paid-up share capital (Baht 1.00 per share) |                                    |                         |
| As at January 1, 2012                                  | 1,000,000,000                      | 1,000,000,000.00        |
| Issue of share during the year                         | -                                  | -                       |
| As at December 31, 2012                                | 1,000,000,000                      | 1,000,000,000.00        |
| Issue of share during the year                         | 24,999,930                         | 24,999,930.00           |
| As at December 31, 2013                                | 1,024,999,930                      | 1,024,999,930.00        |

In accordance with the minute of general shareholders meeting held on April 3, 2013, has are resolution on the increase of the Company's registered capital from Baht 1,000.00 million to Baht 1,025.00 million, divided into 1,025 million shares by issuing 25 million new ordinary shares at the par value of Baht 1.00 each, to be reserved for the stock dividend payment. The Company had registered the capital with the Department of Business Development, Ministry of Commerce, effective on April 11, 2013.

### Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt obligations.

## 17. Legal reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net income, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of its registered share capital. The statutory reserve is not available for dividend distribution.

For the year ended December 31, 2012, the Company has appropriated net income amounting to Baht 1.60 millions to the statutory reserve.

## 18. Income tax expense

The income tax expenses recognized in profit or loss of financial statement in which the equity method is applied for the years ended December 31, 2013 and 2012 were as follow:

|                                                                                        | (Unit : Baht)                                             |                     |
|----------------------------------------------------------------------------------------|-----------------------------------------------------------|---------------------|
|                                                                                        | Financial statement in which the equity method is applied |                     |
|                                                                                        | <u>2013</u>                                               | <u>2012</u>         |
| Current tax expense                                                                    | 1,976,205.09                                              | 9,221,402.55        |
| Deferred tax expense relating to the origination and reversal of temporary differences | 684,460.11                                                | (14,322.92)         |
| Income tax expense                                                                     | <u>2,660,665.20</u>                                       | <u>9,207,079.63</u> |

## Notes to Financial Statements

The relationship between tax expense and accounting profit for the years ended December 31, 2013 and 2012 were as follow:

(Unit : Baht)

|                                                                              | Financial statement in which the<br>equity method is applied |                      |
|------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------|
|                                                                              | <u>2013</u>                                                  | <u>2012</u>          |
| Accounting profit (loss)                                                     | <u>(12,840,980.28)</u>                                       | <u>39,884,759.96</u> |
| Tax rate used                                                                | 20%                                                          | 23%                  |
| Tax at the applicable tax rate                                               | (2,568,196.06)                                               | 9,173,494.79         |
| Effect of expenses that are not deductible in<br>determining taxation profit | 31,901.36                                                    | 33,584.84            |
| Temporary differences is not recognized as deferred tax expense              | <u>5,196,959.90</u>                                          | <u>-</u>             |
| Income tax expenses                                                          | <u>2,660,665.20</u>                                          | <u>9,207,079.63</u>  |

The income tax expenses recognized in profit or loss of separate financial statement for the year ended on December 31, 2013 and 2012 were as follow:

(Unit : Baht)

|                                                                                           | Separate financial statement |                     |
|-------------------------------------------------------------------------------------------|------------------------------|---------------------|
|                                                                                           | <u>2013</u>                  | <u>2012</u>         |
| Current tax expense                                                                       | 1,976,805.09                 | 9,221,402.55        |
| Deferred tax expense relating to the origination and reversal<br>of temporary differences | <u>632,822.45</u>            | <u>35,905.55</u>    |
| Income tax expenses                                                                       | <u>2,609,627.54</u>          | <u>9,257,308.10</u> |

The relationship between tax expense and accounting profit for the year ended December 31, 2013 and 2012 were as follow:

|                                                                           | (Unit : Baht)                    |               |
|---------------------------------------------------------------------------|----------------------------------|---------------|
|                                                                           | งบกำไรขาดทุนเบ็ดเสร็จเฉพาะกิจการ |               |
|                                                                           | 2013                             | 2012          |
| Accounting profit (loss)                                                  | (13,072,337.02)                  | 40,103,144.63 |
| Tax rate used                                                             | 20%                              | 23%           |
| Tax at the applicable tax rate                                            | (2,614,467.40)                   | 9,223,723.26  |
| Effect of expenses that are not deductible in determining taxation profit | 31,901.36                        | 33,584.84     |
| Temporary differences is not recognized as deferred tax expense           | 5,192,193.58                     | -             |
| Income tax expenses                                                       | 2,609,627.54                     | 9,257,308.10  |

## 19. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit or loss for the year attributable to shareholders by the weighted average number of paid-up ordinary shares in issue during the year. On April 3, 2013, the number of ordinary shares of the year 2012 used for the calculation, as presented for comparative purposes, has been adjusted in proportion to the change in the number of shares as a result of the distribution of the stock dividends of 24.99 million shares, as if the shares comprising such stock dividends had been issued at the beginning of the earliest period reported.

## 20. Dividend paid

In accordance with the minute of general shareholders meeting held on April 3, 2013, the shareholders approved following resolutions :

1. The dividend payment in the form of cash at the rate of Baht 0.003 per share or Baht 3 million.
2. The dividend to be distributed in the form of the Company's ordinary share must not exceed 25,000,000 shares, with a par value of Baht 1 each. The stock dividend will be paid to existing shareholders at the rate of 40 existing shares per each stock dividend, totaling not exceed Baht 25.00 million or Baht 0.025 each. In case there is a fraction of shares remaining after the dividend payment, the fraction shall be paid in the form of cash instead of stock at the rate of Baht 0.025 each.

The Company paid such dividend in April 2013.

## 21. ข้อมูลเพิ่มเติมเกี่ยวกับกระแสเงินสด

### 21.1 Cash and cash equivalents consist of :-

(Unit : Baht)

Financial statement in which the equity method is applied/

Separate financial statements

|                                | <u>2013</u>          | <u>2012</u>          |
|--------------------------------|----------------------|----------------------|
| Cash                           | 120,000.00           | 120,000.00           |
| Cash deposits-saving accounts  | 15,126,434.85        | 19,332,238.10        |
| Cash deposits-current accounts | 2,901,360.65         | 18,949,189.46        |
| Total                          | <u>18,147,795.50</u> | <u>38,401,427.56</u> |

### 21.2 Non-cash items are as follows:-

(Unit : Baht)

Financial statement in which the equity method is applied/

Separate financial statements

|                                                                    | <u>2013</u>   | <u>2012</u> |
|--------------------------------------------------------------------|---------------|-------------|
| Purchase assets by leased                                          | 786,750.00    | -           |
| Transfer construction in progress to property, plant and equipment | 1,387,885.95  | -           |
| Stock dividends                                                    | 24,999,930.00 | -           |

## 22. Employee benefit

The employee benefit expenses for the year ended December 31, 2013 and 2012 are as follows :

(หน่วย : บาท)

Financial statement in which the equity method is applied/

Separate financial statements

|                                           | <u>2013</u>         | <u>2012</u>         |
|-------------------------------------------|---------------------|---------------------|
| Short-term employee benefits              | 5,310,188.41        | 5,566,629.21        |
| Contribution paid into the provident fund | 191,094.00          | 193,998.00          |
| Post employment benefit - retirement      | 13,037.00           | 12,128.04           |
| Total                                     | <u>5,514,319.41</u> | <u>5,772,755.25</u> |

The employee benefit expense in case of retirement or hiring cancellation under the labor law for the year ended December 31, 2013 and 2012 are as follows:

|                      | (Unit : Baht)                                                                               |                  |
|----------------------|---------------------------------------------------------------------------------------------|------------------|
|                      | Financial statement in which the equity method is applied/<br>Separate financial statements |                  |
|                      | <u>2013</u>                                                                                 | <u>2012</u>      |
| Current service cost | 9,541.00                                                                                    | 9,256.00         |
| Interest cost        | 3,496.00                                                                                    | 2,872.04         |
| Total                | <u>13,037.00</u>                                                                            | <u>12,128.04</u> |

The employee benefit expense in case of retirement or hiring cancellation under the labor law for the year ended December 31, 2013 and 2012 is inclusively presented in the line items, as follows :

|                         | (Unit : Baht)                                                                               |             |
|-------------------------|---------------------------------------------------------------------------------------------|-------------|
|                         | Financial statement in which the equity method is applied/<br>Separate financial statements |             |
|                         | <u>2013</u>                                                                                 | <u>2012</u> |
| Administrative expenses | 13,037.00                                                                                   | 12,128.04   |

### 23. Expense by nature

The following expenditure items, classified by nature, have been charged in arriving at net profit before income tax for the years ended December 31, 2013 and 2012 are as follows :

|                                            | (Unit : Baht)                                                                               |               |
|--------------------------------------------|---------------------------------------------------------------------------------------------|---------------|
|                                            | Financial statement in which the equity method is applied/<br>Separate financial statements |               |
|                                            | <u>2013</u>                                                                                 | <u>2012</u>   |
| Construction in progress and labour        | 18,066,667.73                                                                               | 13,416,870.34 |
| Change in construction in process          | 15,051,765.68                                                                               | 42,532,433.36 |
| Depreciation and amortization expence      | 461,675.10                                                                                  | 295,851.35    |
| Reversal doubtful debts                    | (119,863.00)                                                                                | (263,532.00)  |
| Employee benefit expenses                  | 5,514,319.41                                                                                | 5,772,755.25  |
| Management benefit expenses                | 4,244,707.00                                                                                | 4,197,592.87  |
| Consideration for the sale and advertising | 7,627,224.70                                                                                | 5,603,926.40  |

## 24. Operating segments

From January 1, 2013 onward, the Company applied TFRS No.8 “Operating Segments”. The financial reporting standard requires the Company shall identifies the operating segments on the basis of internal reports that are regularly reviewed by the Company’s chief operating decision maker in order to allocate resources to the segment and assess its performance. The previous accounting standard requires the Company to disclose the operating segments based on related products and services and on geographical areas. The adoption of the financial reporting standard doesn’t effect to the change of reportable segment information disclosure because the Company has a single reportable segment which is the business of real estate development in type of allotted house for sale and its operation is in one geographical area that is Thailand. Moreover, the Company measures the profit for the reportable segment from the gross profit. Thus all revenue, profit and assets as shown on the financial statements were related to the reportable segment and geographical area as already said.

### Information about major customers

For the year ended December 31, 2013, the Company didn’t earn the revenues from sale with each customer to 10% or more of the Company’s revenues.

## 25. Financial instruments

The Company has to face with important financial risk, for instance, risk from interest rate and risk from credit provision. The Company has not hold any policy to conduct any business in financial instrument which is derivative so as for speculating profit or for trading.

### 25.1 Risk from interest rates

The Company constitutes risk from interest rates since there is deposit and liability which has to repay interest; however, the Company believes that fluctuation of future interest rate in the market will not materially affect to results of operation and cash flow of the Company.

### 25.2 Risk from credit provision

The Company constitutes low risk from credit provision since given the sale of property is sale which determined that liability from customers is fully repayable before the delivery of property is fulfilled.

### 25.3 Fair Value

The methods and assumptions used by the Company in estimating the fair value of financial instruments for financial assets and liabilities which have short-term maturity, including cash and cash equivalents, trade receivable and trade payable and obligation under finance lease, their carrying amounts in the statement of financial position approximate their fair value.

## 26. Commitment and contingent liabilities

- 26.1 As at December 31, 2013, the Company constitutes obligation commitment in the project development and property construction by amount of Baht 11.35 millions. (2012 : Baht 8.17 millions)
- 26.2 As at December 31, 2013 and 2012, the Company constitutes letter of guarantee which issued by a bank to guarantee the repayment of electricity and land allotment by total Bath 12.52 millions.
- 26.3 As at December 31, 2013 and 2012, the Company constitutes credit line of bank overdraft account which has not been withdraw in amount of Baht 5.00 million which there is land development are collateral and there is the Company's directors guarantee.
- 26.4 As at December 31, 2013, the Company has engaged the hiring contract in light of marketing and selling with two companies while there is the period of 1 year. The Company has obliged to repay the commission for the project in Phuket as specified in rate 1.75% of house's selling prices and difference of house's selling prices in the sale contract for the project in Samutprakarn ( 2012 : at rate 0.875%-1.750% of house's selling prices )
- 26.5 As at December 31, 2013 and 2012, the Company has engaged the hiring contract in light of print media advertising management with one ordinary for the period of 1 year. The Company has obliged to repay the sale remuneration in rate of 30,000.00 Baht per month.

## 27. Prosecuted cases

During the year 2010, the Company has been sued by 13 purchasers of houses for the total of Baht 36.48 million in compensation of the damage incurred from the inconvenience in usage of the common roads because the purchasers thought the common area of the Rock Garden Village Project has no obligation and the Company has the ownership of the said common area per the advertisement of the Company. However, the ownership of the said project's common area belongs to related and outside persons whom have registered the servitude of access for the land in the said project to use as have already informed the plaintiff about the said information. On February 8, 2013, the civil court has adjudged to acquit the case. In May 2013, the 12 purchasers of the houses lodged appeals to the Court of Appeals claiming compensation of the damage at the total amount of Baht 41.43 million, bearing interest (one of the purchasers has filed the request to withdraw the litigation to the Court). On December 20, 2013, the Court of Appeals adjudged to reverse the judgment and the Company lost the case. Under this judgment, the Company shall proceed to clear the servitude of access for the common area of the said project. In the event the Company unable to complete the said procedure, the Company shall pay the compensation of the damage to the purchasers of houses at Baht 18.84 million. In January 2014, the Company has appointed a new legal counsel to submit an appeal to the Supreme Court against the adjudication of the Court of Appeals. Currently, the said litigation is under the analysis by the new legal counsel to plan the strategy for the defensive technique for the submission of appeal to the Supreme Court against the adjudication of the Court of Appeals. It shall be submit within the time period, which, under the Company's request, the Court has allowed the extension of the time period for the appeal.

For the year ended December 31, 2013, the Company has recognized the allowance for damage at Baht 18.84 million, which the Court of Appeals has adjudged for the Company to pay the said compensation for the damage to the purchasers of houses, in the financial statements.

## 28. Reclassification of accounting transactions

Some transactions in financial statement for the year ended December 31, 2012, are newly reclassified so as to comply with reflection in the consolidated and separate statements of financial statement for the year ended December 31, 2013 which can be summarized as follows :

|                                                 |                                               | (Unit : Baht)                                                                                   |
|-------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------------------------------------|
|                                                 |                                               | Financial statement in which the<br>equity method is applied /<br>Separate financial statements |
| Transactions which<br><u>formerly reflected</u> | <u>Reclassified</u>                           | <u>2012</u>                                                                                     |
| Cost of real estate development                 | Pledged deposits at financial<br>institutions | 566,669.10                                                                                      |

## 29. Approval of financial statements

These financial statements in which the equity method is applied and separate financial statement were authorized for issue by the Company's board of directors on February 27, 2014.

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