



บริษัท ควอลิตี้เทค จำกัด (มหาชน)
Qualitech Public Company Limited

Annual Report 2013



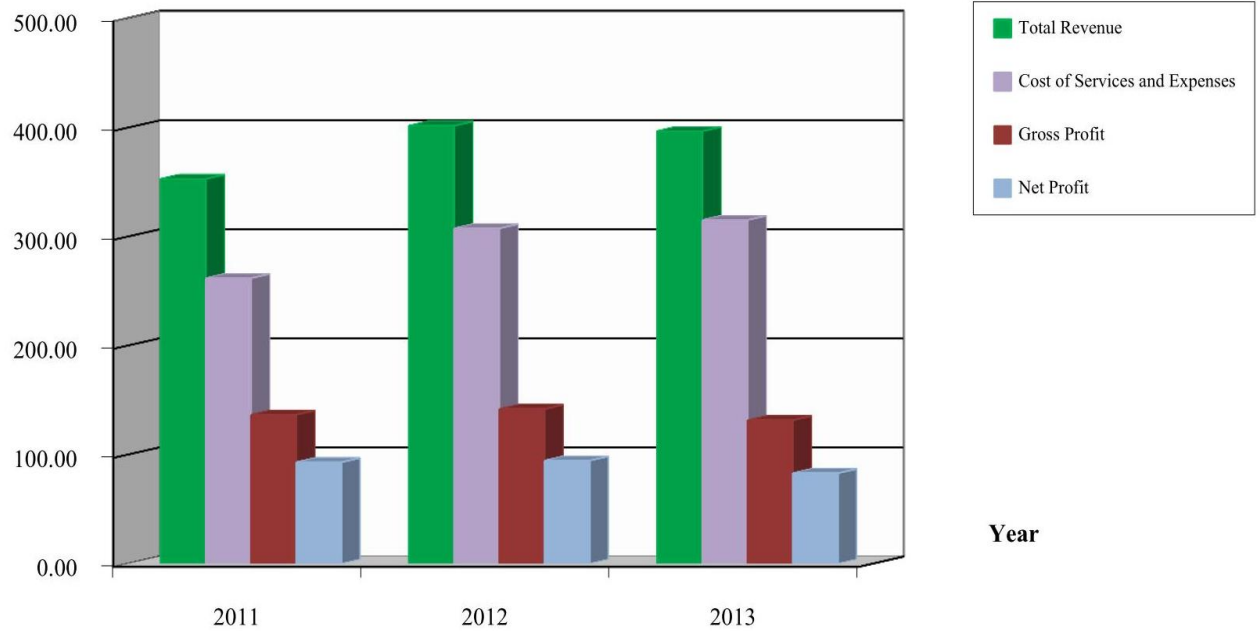
	2011	2012	2013
Statements of Comprehensive Income (Million Baht)			
Total Revenue	353.12	401.94	397.00
Cost of Services and Expenses	262.01	307.71	315.43
Gross Profit	136.79	141.97	131.69
Net Profit	93.21	94.69	83.14
Statements of Financial Position (Million Baht)			
Total Assets	342.77	397.91	430.58
Total Liabilities	57.48	58.61	70.11
Total Shareholders' Equity	285.29	339.30	360.47
Financial Ratio			
Gross Profit Ratio (%)	38.74	35.32	33.17
Net Profit Ratio (%)	26.40	23.56	20.94
Return on Equity (%)	36.03	30.32	23.76
Return on Total Asset (%)	30.61	25.57	20.07
Debt to Equity Ratio (Times)	0.20	0.17	0.19
Earnings Per Share			
Net Profit Per Share (Baht)*	0.99	0.99	0.87
Net Diluted Profit Per Share (Baht)**	0.99	0.98	0.86
Book Value Per Share (Baht)	3.17	3.57	3.74

* Number of shares outstanding computed using weighted average method

** Computed from 99,000,000 Shares outstanding

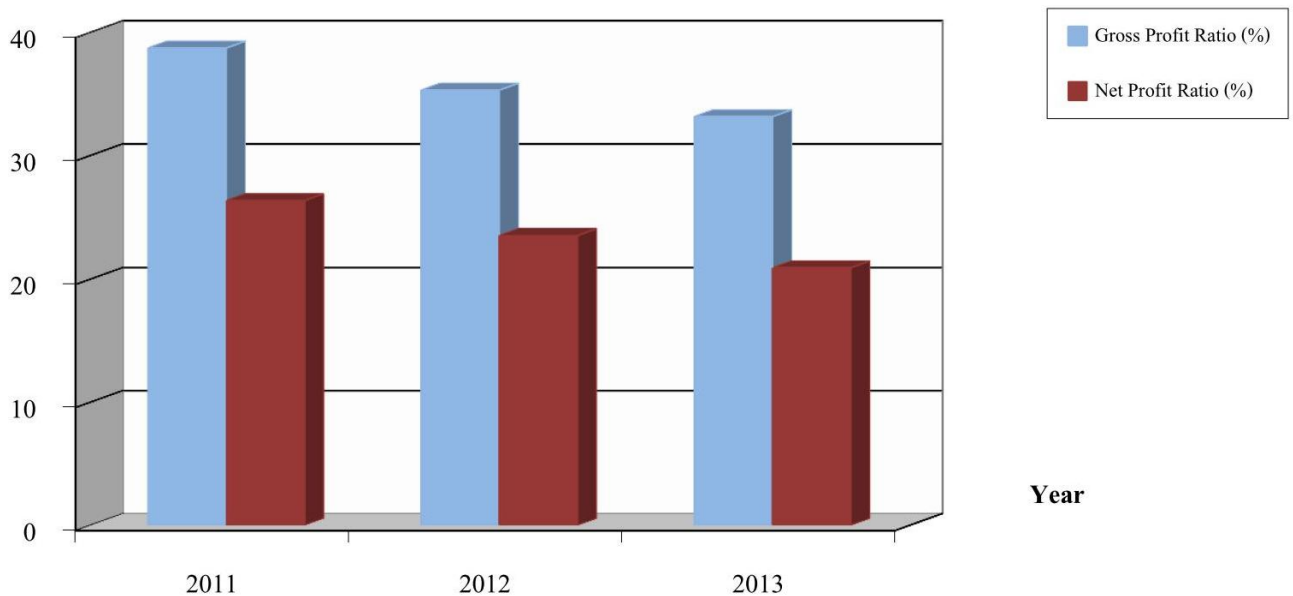
Financial Summary

Million Baht



Financial Ratio

%



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Vision

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

Economic Community (AEC).

Dear Shareholders,

In year 2013, it was counted to be one of our successful years even though we have faced higher competition in previous year. This was because of both internal and external factors including increased of human resources cost which effected to higher pay rate adjustment to comply with current labor market. Moreover, competition in industrial increased constantly. Most of our competitors came up with price strategy for the advantage in this situation. Therefore, the total revenue of Qualitech Public Company Limited and subsidiary companies was Bath 401.13 million which decreased 1.20% and the total net profit was 83.50 million baht which decreased 10.93% compare with previous year.

However, we still strongly believe that our company is able to grow stably due to our company business is related to public safety and environment which is significantly aware by concerned persons.

For year 2014, we keep focusing on organization development to accredit to the international standards. We also concentrate on develop our staffs continuously by creating awareness on working quality, safety of employees and concerned peoples, including looking after society and environment for sustainable growth of company.

Finally, on behalf of Boards of Directors, I would like to sincerely thank toward shareholders, customers and valued supporters who consistently support us and thank for company's employees' who are united in mind and work hard. We, Boards of Directors, hope that it would be honorable to receive trustworthiness and well support all the time from now on.



Mr. Natee Boonparm

Chairman of the Board of Directors



Mr. Sannpat Rattakham

Managing Director

Dear Shareholders and all the related parties,

Board of Audit Committee of Qualitech Public Company Limited is comprised of the three independent members; who the elements of the committee and qualification are in accordance with the Notification of the Securities and Stock Exchange Commission of Thailand as follows;

1. Mr.Somyos Chiamchirungkorn, Chairman
2. Mr.Thinnakorn Seedasomboon, Audit Committee member
3. Mr.Somchai Jongsirilerd, Audit Committee member

In 2013, the Audit Committee's meeting had been conducted four times in total to responsibilities and actions of the audit committee are summarized herewith;

1. To review the accuracy and reliability of the annual financial statements 2013; in which the statements had been prepared in accordance with the general accounting standard and disclosed the sufficient information complied with the requirements referred to the Notification of the Securities and Stock Exchange Commission of Thailand.
2. To review the governance and operations of the company; in which the results in general indicated the principles of good corporate governance and meet the Rules and Regulations of the Securities and Stock Exchange Commission of Thailand and the other businesses' related.
3. To review and evaluate the sufficient risk's management report of the company; in which it disclosed the risk prepared by the internal audits, opinion of the auditors and from the company operations under changing situations of economics, socials and domestic and international Politics.
4. To review the internal control and management systems of the company. The committee provided the appropriated recommendation for improving the efficiency and effectiveness of the system suited with the economic situation in the time of the high competition with the unbounded communication channels.
5. To review the annual report of the company internal audit; in which it indicated the appropriate risk's management and the good progress and summary of the internal auditing system.
6. The Committee has assessed the performance of auditing system and summarized a report to the Board of Directors for approval. In summary, the shareholders meeting appointed Miss Somjintana Polhirunrat, Certified Public Accountant No. 5599, or Mrs Virairut Rorgnakarin Certified Public Accountant No. 3104 of D I A International Audit Co., Ltd. to be the company auditor for year 2014 with the auditing fee within the range of 850,000 Baht per year.

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

Your Faithfully,



Mr.Somyos Chiamchirungkorn
Chairman of the Audit Committee



Mr. Natee Boonparm
Chairman/Independent director



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



Mr. Sannpat Rattakham
Director/Executive director



Mr. Sumet Techachainiran
Director/Executive director



Ms. Raschaneewan Rawirach
Director/Executive



Mr. Somchan Lubtikultham
Director



Mrs. Maneerat Rattakham
Director



Mr. Tinakorn Seedasomboon
Audit committee/Independent



Mr. Somchai Jongsirilerd
Audit committee/Independent director

Company Data

Location and Branch

Company Name	Qualitech Public Company Limited.
Registered Capital	99 million Baht with 96.58 million Baht paid up
Type of Business	Non-Destructive Testing Inspection & Certification
Company's registration No.	0107550000220
Website	www.qualitechplc.com
Head Office	21/3 Banplong Road, Maptaphut, Muang, Rayong 21150 Tel. +66 3869-1408 to 10 Fax. +66 3869-2028



Branch Office(1)	1/37 Moo 1, Nongchak, Banbueng, Chonburi 20170 Tel. +66 3829-7302 to 4 Fax. +66 3829-7305
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Branch Office(2)	50, Soi Pattanakarn 57, Prawet District, Bangkok 10250 Tel. +66 2116-9294 Fax. +66 2116-9294 Exit 18
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Registrar	Thailand Securities Depository (Thailand) Co., Ltd. 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110 Tel. +66 2229-2800 Call Center. +66 2229-2888
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Authorized Auditor

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

The Company also has 3 sub-branches for operating business at different organizations:

1. 302/4 Khaohinson Sub District, Phanomsarakarm District, **Chachoengsao.**
2. 241/3 Moo 7 Noensansook, Nongkham, Sriracha, **Chonburi**
3. 188/122 Sukhumvit Road, Muang, Rayong District, **Rayong.**

Important Development

Year 1991

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

Year 1992

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

Year 1993

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

Year 1994

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

Year 1995

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

Year 1999

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

Year 2000

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

Year 2001

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

Year 2002

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

Year 2004

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

Year 2005

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

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

Year 2006

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

Year 2007

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

Year 2008

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

Year 2009

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

Year 2010

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

Year 2011

- In September 2011, the company has registered 2 subsidiaries are
 1. QLT International Company Limited, the objective is providing engineering services in both Thailand and oversea and engage in relevant business. The registered capital is 5 million baht with the Company's shareholder is 99.99% of registered capital.
 2. Qualitech Myanmar Company Limited, the objective is provide safety engineering services in Myanmar and other related business. The registered capital is 2 million baht with the Company's shareholder is 50.99% of registered capital.

Year 2012

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

Year 2013

- Established a branch office in Bangkok for the expansion of operation Bangkok office.

Overview of business

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

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

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

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

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

Revenue Structure

Unit : Million Baht

Type of Work	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
Non - Destructive Testing	177.94	49.78	221.66	54.60	215.48	53.72
Inspection and Certification	175.19	49.02	180.28	44.41	181.52	45.25
Others	4.29	1.20	4.03	0.99	4.13	1.03
Total Revenue	357.42	100.00	405.97	100.00	401.13	100.00

1. Risk from collection of payments from contractor

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

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

2. Personnel risk

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

The Company puts personnel development as its first priority, with a policy to enhance staff's knowledge development through domestic and overseas trainings. This includes a plan for the in-house training unit to train the staff using a curriculum which directly concerns non-destructive testing and other relevant curricula, such as safety in the workplace. The Company has a strict staff selection policy to acquire qualified staff, which would enhance the Company's credibility and image. That being said, the Company has continuously been able to find and develop its personnel so that newly recruited staff has adequate knowledge and skills to replace those leaving the Company. At present, the Company has enough staff to provide its services and is constantly developing its personnel to support future expansion.

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

3. Risk from service warranty

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

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

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

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

Company Securities

The Company has a registered capital of 99 million baht as 99 million shares of common stocks, with a par value of 1 baht per share. It has common stocks which were issued and paid-up for 96.58 million baht, consisting of 96.58 million shares of common stocks.

Shareholding Structure

Rank	Name of Shareholders	December 31, 2013	
		No. of Shares	Percentage
1	Mr.Sannpat Rattakham Group ¹	22,271,260	23.06
2	Mr.Somchaan Lubtikultham Group ²	19,098,335	19.78
3	Mrs.Kulchirapas Touchkulisadej	7,659,340	7.93
4	Mr.Sumet Techachainiran Group ³	7,579,155	7.85
5	MAYBANK KIM ENG SECURITIES PTE.LTD	4,654,100	4.82
6	Sirichanthorndirok family ⁴	7,350,015	7.61
7	Ms.Wimol Saetiao	3,675,000	3.81
8	Lipithorn Family ⁵	4,933,320	5.11
9	RBC INVESTOR SERVICES TRUST	3,303,600	3.42
10	Ms.Rashaneewan Rawirach	1,680,000	1.74
Total top ten major shareholders		82,204,125	85.12
Total no. of shares		96,577,285	100.00

Remark:

¹ Mr.Sannpat Rattakham Group:

Name	No. of shares	% of paid-up shares capital
Mr.Sannpat Rattakham	17,760,000	18.39
Ms.Yanakorn Rattakham	4,410,000	4.57
Ms.Pranee Rattakham	65,350	0.07
Mrs.Maneerat Rattakham	35,910	0.04
Total	22,271,260	23.06

² Mr.Somchaan Lubtikultham Group:

Name	No. of shares	% of paid-up shares capital
Mr.Somchaan Lubtikultham	10,027,500	10.38
Ms.Monchaya Lubtikultham	4,660,835	4.83
Ms.Monsicha Lubikutham	4,410,000	4.57
Total	19,098,335	19.78

³ Mr.Sumet Techachainiran Group:

Name	No. of shares	% of paid-up shares capital
Mr.Sumet Techachainiran	5,455,155	5.65
Ms.Natcha Techachainiran	2,100,000	2.17
Ms.Veena Techachainiran	24,000	0.02
Total	7,579,155	7.85

⁴ Sirichanthorndirok family:

Name	No. of shares	% of paid-up shares capital
Mr.Sutthisan Sirichanthorndirok	4,042,500	4.19
Mr.Yutthachai Sirichanthorndirok	3,307,515	3.42
Total	7,350,015	7.61

⁵ Lipithorn Family:

Name	No. of shares	% of paid-up shares capital
Mr.Thavatchai Lipithorn	3,511,120	3.64
Miss.Nuannapa Lipithorn	1,422,200	1.47
Total	4,933,320	5.11

Policy on Payment of Dividends

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

Management Structure

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

Board of Director

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

With Mrs.Maneerat Rattakham performs as the company's secretary

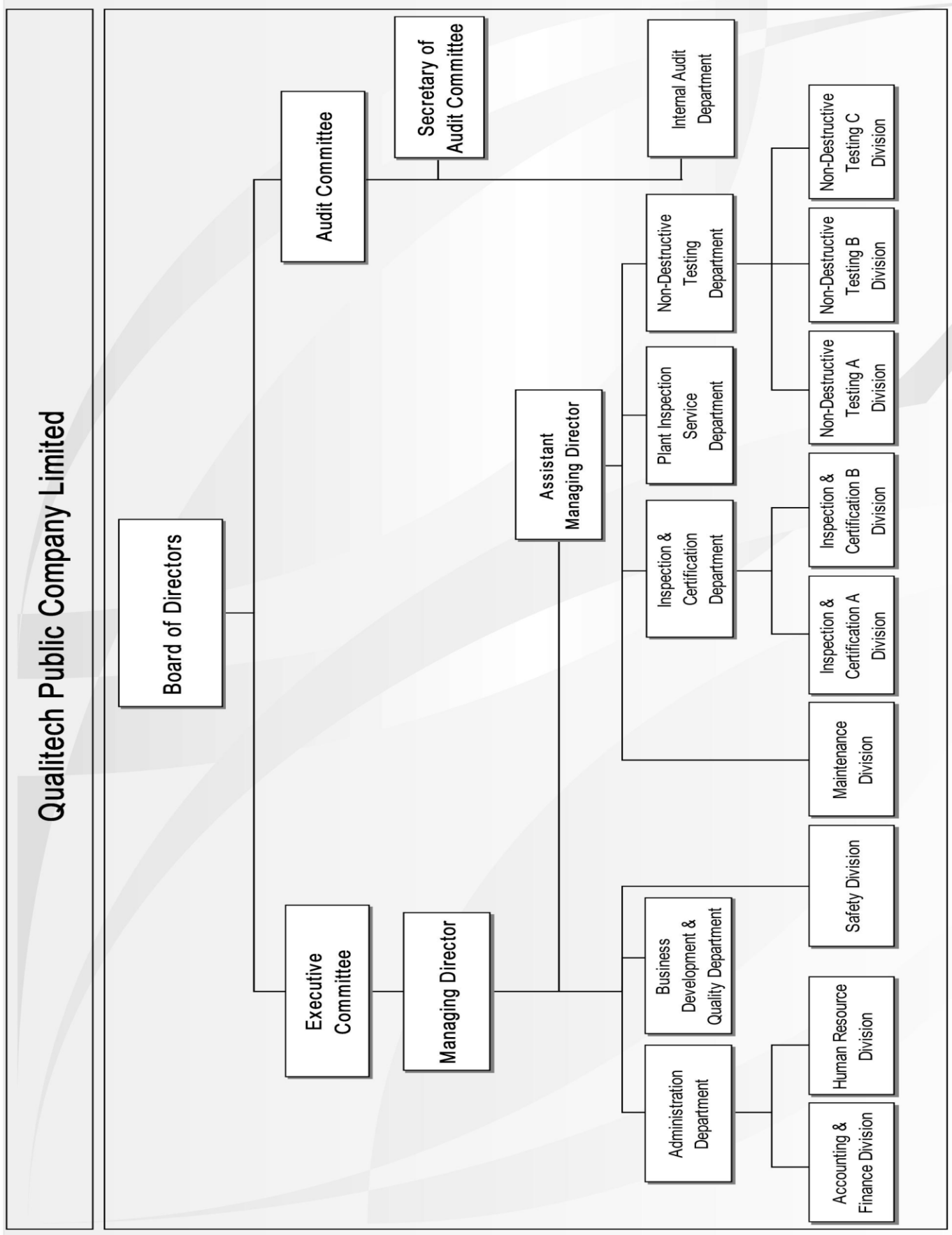
Authorized directors on behalf of the Company:

1. Mr.Sannpat Rattakham Managing Director
2. Mr.Sumet Techachainiran Assistant Managing Director
3. Ms.Rashaneewan Rawirach Executive Director

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

Term of office of directors:

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



Scope of duties and responsibilities of the Board of Directors:

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

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

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

Audit committee

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

With Mrs.Wimal Saephung performs as Secretary to the Audit Committee

Term of office of audit committee member:

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

Qualifications:

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

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

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

Terms of reference and responsibilities of the Audit Committee:

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

Executive committees

The Company's executive committee comprises 3 members:

- | | | |
|----------------------------|----|-----------------------------|
| 1. Mr.Sannpat Rattakham | as | Managing Director |
| 2. Mr.Sumet Techachainiran | as | Assistant Managing Director |
| 3. Ms.Rashaneewan Rawirach | as | Executive Director |

Terms of reference and responsibilities of the executive committee:

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

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

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

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

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

Terms of Reference and Responsibilities of the Managing Director

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

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

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

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

Selection of Directors and Executives

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

1. A shareholder shall have the number of vote corresponding to the number of share that he holds (one share, one vote);

2. In the process of selection of Company's directors, votes may be given to nominees individually or to several nominees at the same time, as the shareholders' meeting deems appropriate. In any voting, each shareholder shall have the voting right as stipulated in item 1 above; however, the number of votes of the shareholder, no matter how many votes he has, shall be indivisible;
3. Majority rule shall be used in the selection of directors. If there is a tie, the Chairman of the meeting shall have an additional vote as a casting vote.

Remuneration of Directors and Executives

(1) Remuneration in cash

Remuneration of directors

The Annual General Meeting of shareholders for the year 2013, held on Wednesday, April 10, 2013 has determined the remuneration of Directors and Audit Committee for meeting allowances are as follows:

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

The Bonus of Directors did not exceed 0.50 percent of total revenue in 2013 by the Board of Directors determining the amount to be paid to each director.

Attendance of the Meeting of Board of Directors in 2013

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

Remark Mr.Sompong Songsaeng has been invalid for Board of Directors. The Annual General Meeting of Shareholders agreed to select Mr.Somchai Jongsirilerd to replace effective from April 10,2013.

Directors' Remunerations in 2013

No.	Name of the Board of Directors	Meeting allowances	Bonus	Total
1	Mr.Natee Boonparm	60,000.00	272,165.00	332,165.00
2	Mr.Sannpat Rattakham	40,000.00	181,443.00	221,443.00
3	Mr.Somchaan Lubtikultham	40,000.00	181,443.00	221,443.00
4	Mrs.Maneerat Rattakham	40,000.00	181,443.00	221,443.00
5	Mr.Sumet Techachainiran	40,000.00	181,443.00	221,443.00
6	Ms.Rashaneewan Rawirach	40,000.00	181,443.00	221,443.00
7	Mr.Somyos Chiamchirungkorn	96,000.00	217,734.00	313,734.00
8	Mr.Tinakorn Seedasomboon	80,000.00	181,443.00	261,443.00
9	Mr.Somchai Jongsirilerd	60,000.00	136,082.00	196,082.00
10	Mr.Sompong Songsaeng	20,000.00	45,361.00	65,361.00
Total		516,000.00	1,760,000.00	2,276,000.00

Directorial remuneration summary for 2012 and 2013

Remuneration	2012		2013	
	Person	Baht	Person	Baht
Meeting allowances	9	516,000.00	10	516,000.00
Bonus	9	1,760,000.00	10	1,760,000.00
Total		2,276,000.00		2,276,000.00

Remunerations of the Executives

Eight executives at the level of manager of a division or more senior received remunerations, i.e. salary and bonus, from the Company totaling 17,146,994.03 baht in 2013.

(2) Other Remunerations

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

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

Qualitech Public Company Limited is well aware of the importance of compliance with the principle of good corporate governance for the operation of its business. Thus, the Board of Directors has implemented its policy on the directors of the Company to comply with the principle and best practices which are in line with the Code of Best Practices for Directors of Listed Company in accordance with the guidelines of the Stock Exchange of Thailand. In this connection, practicality is taken into account during the formulation of any relevant provision. Furthermore, the Company adopts the principle of good corporate governance as a guideline to develop its policy which covers rights and equality of shareholders and stakeholders, structure, role and function, responsibility and independence of directors, disclosure of information and transparency, risk control and management, as well as ethics in business. This is to ensure the efficiency and transparency of the management and operation of business of the Company. The principle consists of the following 5 chapters:

Chapter 1 Shareholders' Rights

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

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

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

Chapter 2 Equal Treatment of Shareholders

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

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

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

Chapter 3 Role of Stakeholders

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

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

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

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

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

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

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

Complaint or comment to the company through following channels;

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

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

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

Chapter 4 Disclosure of Data and Transparency

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

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

Further, the Board of Directors also appoints audit committee to examine the financial report, check against the list and inspect internal audit system. In this regard, the audit committee will report the result of the examinations to the Board of Directors at every meeting of the Board of Directors. Details of the report of the Board of Directors, the audit committee and the report of the auditors will appear in the annual report.

As regards investors' relation, the Company is yet to establish a unit responsible for investors' relation; however, it has entrusted Mr.Sannpat Rattakham, Managing Director and Miss. Kunlanit Sarapab, Administration Department Manger to contact shareholders, analysts and other relevant people.

Chapter 5 Responsibility of the Board of Director

(1) Structure of the Board of Director

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

The directors are allowed to take a position of committee in other listed companies not exceed 3 companied.

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

(2) Subcommittees

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

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

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

(3) Role, Duty and Responsibility of Directors

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

meeting. The Board of Directors provides:

Policy for corporate Governance

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

Business ethic

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

Policy relating to conflict of interests

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

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

3. In doing academic work, public services, being speakers or taking any position, personnel at every level of the Company can get approval from the director of their chain of work to work at academic institutions, to perform public services, to be speakers, or to take any position, such as company's directors, consultants, that will help expanding vision and gaining experience of the personnel. However, the personnel shall not engage the Company or use their position at the Company with those activities except where permitted to do so.

Internal Audit

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

(4) Meeting of the Board of Directors

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

(5) Remunerations

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

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

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

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

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

Supervision of Using of Internal Data

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

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

Corporate Social Responsibilities: CSR

Qualitech Public Company Limited determines to undertake its business in good governance, intends morally run business accompany with focus on internal and external corporate social responsibilities. This is one of our strategies to endure continuity business development which covers controlling and developing personnel, runs business equitably for every parties, thinks over on safety and quality of services, takes action to develop community, effectively utilize natural resources and also aware of environmental conservation.

Our company realizes that we undertake the business in engineering and safety inspection services by providing Non-Destructive Testing, Inspection and certification service which is comply with international standard and law. It is our priority responsibility to strictly follow safety standard system in Thailand and oversea as our company value “Reliability, Safety and Quality.”

To be correspond with current situation and demand of investors, our company would like to present “Corporate Social Responsibilities” for the first time which is presented separately the detail of annual report this year to present determination of sustainable development in economy, society and environment in fiscal year on 31 December 2013 which refers to The Office of The Securities and Exchange Commission report principle. Beside, our company attempts to complete and revise Corporate Social Responsibilities contents yearly.

(1) Run business equitably and against corruption

Company has defined to deal impartially with clients, trading partners and interested person. To be fair to every party, we run business equitably and also against corruption. We’ve created company’s Code of Conducts which has been approved by Boards of directors as summary below;

- Company persists in rule of law in running business. Board of directors, executives and employees shall understand company’s regulations and relevant laws including in coming effective law which effects to administrator management and working principle. Boards of directors, executives and employees shall work strictly under company’s regulations and relevant law; beside avoid the action which may cause bad company’s reputation.
- Boards of directors, executives and employees may not seek for competitors’ trade secret or specific details by infringing data piracy or breaking an agreement not to reveal clients’ details or others.

- Company details are open for all concerned parties under the law, company's regulations and also confidential clients' details including provides sufficient details and actual supporting documents accordance with to The Office of The Securities and Exchange Commission for all shareholders to estimate our company equivalently.
- In case of Boards of directors, executives or employees do something involve with company. Company will act as this action is between company and third party that the person has no authority for approval.
- Boards of directors, executives or employees do not accept bribes in term of money, benefits or objects from business partners if it is perceived that receivers have minded or special relationship with givers which may cause harm to company or interested person.
- Boards of directors, executives or employees shall honestly work without prejudice and do not use their authority and function seeking to own benefits or others.
- Boards of directors, executives or employees shall fully support to gain patent, copyright and protect company's trademark which is intellectual property and also not to piracy competitors' intellectual property.
- Boards of directors, executives or employees shall maintain impartiality and not discriminate term of employment such as recruitment, reward and benefit consideration, job promotion, job transfer, work performance evaluation, job training, following regulation, employee termination, recruitment and participate community events.

(2) Respect human rights and Labor practices

Company emphasizes to treat employees impartially. Executives pay attention to all levels of employees. No matter where they graduated from, they would receive equivalent opportunity which depends on fairness of reward system. Beside, company is willing to support personnel development in career path, encourages employees to express their opinions by providing opinion box and also provide benefits, annual recreation events to support employees' better quality of life.

Employment

Working day and time of employees is divided into 2 items as below;

1. Working hour in the office Monday to Saturday 08.00hr – 17.00hr
2. Working hour on site depends on clients' agreement which accordance with Labor law 1998 and related laws.

According to conducting inspection services at Site area where clients appointed, it is difficult to specific certain working date and time. Therefore, the operator shall work under clients' agreement. Due to flexible working date and time, company has provided suitably work reward for the operators.

For recruiting new employees, company considers from education, qualification, experiences and performance. Candidates shall pass writing examination, math examination, English test, computer skills test and also face to face interview. Candidates who pass the examination shall work as trainees, probation period is 119 working days to consider that candidates have potential and suitable qualifications for working in this position or not.

Reward and benefit management

Company has obvious reward and benefit regulations for employee by specified in Standing Instruction which is constantly revised. Company has payment policy for employees in term of monthly salary, work reward, direct position, overtime, specific certificate etc. Moreover company provides other benefits for example provident fund, health insurance, loaning fund, supporting money in case of employees get married/give birth/funeral, education fund, uniform, shuttle bus, medical check-up etc. Company also set up welfare committee which consists of representative of employer and employee to discuss this matter.

Personnel development

Company determines to develop personnel because they are the significant part who drives the business to achieve goal and motivate organization to sustainable business development. As a result, company has focused on personnel development from the beginning till retiring as below details;

- Arrange various orientations in basis company information, company's scope of works, working regulations, safety induction, that also including business morality and company's value.
- Organize technical training such as Ultrasonic Test, Magnetic Particle Test, Penetrant Test, Work in confined space, Radiation Safety, etc to develop operators' specific technique skills to perform job properly and skillfully.

- Arrange supporting course for management's skill such as Team Leader Skill, Team building, Effective Writing, ISO Course and Basic Computer etc.
- Conduct general trainings such as safety driving technique, basis first aid and rescues, fire evacuation, danger of drugs, money saving and management for retirement etc.
- Encourage employees to plan their career path and also update Job Description in year 2013 to be the guideline for year 2014.
- Annually schedule for training plan with proper budgeting in advance for effective trainings.
- Follow up employees after training to ensure that they fully understand contents from training course. Issue certificates and appoint for the re-certificate period.

Human rights and employees parity

To respect and appreciate in human right is the foundation of personnel development. Human resources are the main key to improve production and value added to endure business development. Company consistently aware of human rights by treating them equally, no matter what races, nationalities, gender, religions, poverty, disables person, sick person including respect and accept differences in thinking, society, environment, law and culture.

(3) Services responsibilities

Company engages in the provision of Non-destructive testing, and Inspection/Certification services in accordance with international standards and regulations, aim to satisfy and assure that clients get the quality services by following up satisfaction survey and continuous on services improvement

(4)Environment conservation

Company fully supports environment conservation during working process such as adjust working procedure to use natural resources effectively, replaced the air-conditioners and lighting to be the energy saving type and provide garbage bins to separate recycle and hazardous waste.

(5)Community or society development

Company realizes the important of corporate social responsibilities and pays attention on any effects to the community by supporting and regularly participate in community events. Our employees are encouraged to be the part of these activities.

In year 2013, we have supported communities' events as details below;

- 12 January 2013, participated Children's Day 2013. Head office in Rayong associated with Rayong Safety Association and Banbueng office (Chonburi) associated with Nongchak Municipality.
- 24 June 2013, participated with Maptaphut Community for canal dredging and adjust scenery project on the Environment Day.
- 5 October 2013, executives and employees renovated playground, donated stuffs and had lunch with children at Ban Klong Yang School, Bothong, Chonburi.
- Executives and employees were united in action and spirit to provide sandbag, supporting objects and row boats also allowed flood suffered employees to take leave in flood areas in Rayong city, Panusnikom and Panthong in Chonburi province. Moreover, company donated money to help general flood victims via Banbueng district in Chonburi.

(6)Continuous development for sustainable organization

Keeping good governance principle and regularly corporate social responsibilities are the most important cores in organization value and culture and more important than time to time participate the communities' events. Company intends to develop sustainably business to assure that interested person gain mutual benefits both in short term and also long term. Our clients and business partners grow together and also support sustainably community and society. Company still intends to support new innovation to carry on research and development. Beside, company supports employees to express their creativity ideas in term of value for economy, society and environment by arranging various training courses in any involved fields regularly and exchanging information, ideas and opinion in "Executives Meet Employees Event"

1 Sufficiency of Internal Control System

At the meeting of the Board of Directors of public company limited no. 1/2013 on 16 February 2013, attended by the Audit Committee, the board has evaluated the internal audit system by inquiring data from the management relating to the sufficiency of the internal audit system of the Company in 5 sectors, namely, organisation and environment, risk management, control of performance by the management, information and communication system and follow up system. After having evaluated, the board found that the Company has system for internal audit of majority shareholders, directors, executives or other people related to such persons sufficiently in place. The Company's internal audit system also covers all 5 sectors appropriately and sufficiently to prevent the executives from using of property inappropriately or without power. In addition, the Company's internal audit system is independent in pursuing and evaluating the result of internal audit. Moreover, the Company has a filing system of important documents that allows the directors, auditors and those authorized by law to inspect within reasonable time.

DIA, an audit firm of the Company, has examined the internal system in the year 2013 and found no important issue.

2 Policy on Procedures of Internal Audit

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

Related transactions of the Company with persons who may be in conflict of interests that arose in the year 2013 are as follows:

Person/juristic Person who may be in conflict of interests	Relation	Nature and value of the transaction	Necessity and reasonableness
Mrs.Monta Chaiyaban	Spouses of Company's director and shareholder	<p>Renting 4-storey commercial building, No. 50 Soi Pattanakarn 57.</p> <p>Renting only the third floor with the utility area of 93.75 square metres to be used as a Bangkok Office from June 2008 at the rate of 8,500 baht per month.</p> <p>As for the year 2013 : 0.008 million baht 2012 : 0.100 million baht</p> <p>Land and office building acquisition 2013 : 7.50 million baht 2012 : 0.00 million baht</p>	<p>This item is a rent for office space for dealing business in Bangkok. The audit committee is of the view that this item is reasonable and the rent, assessed by independent evaluator, is fair.</p> <p>The company acquired such land with its office building in the price of Baht 7.50 million which is higher than the appraisal value amount of Baht 1.5 million, caused by the company can save the cost of removal and renovation of its office.</p>
Qualitech Myanmar Company Limited	The Company held 50.99% share capital,director and management have common shareholding	<p><u>Income</u></p> <p>Wage, transportation, accommodation 2013 : 0.001 million baht 2012 : 1.274 million baht</p> <p><u>Expense</u></p> <p>Wage, transportation, accommodation 2013 : 0.48 million baht 2012 : 0.07 million baht</p>	<p>Wage is employment which the cost is equirelent to employment cost of other company.</p> <p>Transportation, accommodation are advance payment then compensate later.</p>

Person/juristic Person who may be in conflict of interests	Relation	Nature and value of the transaction	Necessity and reasonableness
QLT International Company Limited	The Company held 50.99% share capital,director and management have common shareholding	<u>Income</u> Wage, Building & Furniture rental, Asset sales, Management cost 2013 : 0.71 million baht 2012 : 0.00 million baht <u>Expense</u> Wage 2013 : 8.13 million baht 2012 : 0.00 million baht	Wage is employment which the cost is equirelent to employment cost of other company. Building & Furniture rental is equirelent and reasonable. Asset sales is to sell in net balance.

Measures or Procedures for Approval of Related Transactions

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

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

Future Trend of Related Transactions

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

Tables of Qualitech Public Company Limited's Financial Statements

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 to 2013

Unit : Thousand Baht

Result of the Operation	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
Total income	357,416.83	100.00	405,973.16	100.00	401,134.07	100.00
Service income	353,122.36	99.80	401,936.27	99.01	397,005.27	98.97
Cost of services	216,329.86	60.53	259,964.00	64.03	265,312.92	66.14
Gross Profit	136,792.5	36.73*	141,972.27	35.32*	131,692.35	33.17*
Other income	4,294.47	1.20	4,036.89	0.99	4,128.80	1.03
Profit before expenses	141,086.97	39.47	146,009.16	35.97	135,821.15	33.86
Administrative expenses	33,976.08	9.51	37,000.21	9.11	36,996.30	9.22
Directors' remuneration	2,094.02	0.59	2,276.43	0.56	2,272.75	0.57
Management benefit expenses	9,294.90	2.60	8,327.98	2.05	8,335.57	2.08
Total expenses	45,365.00	12.69	47,604.62	11.73	49,676.25	12.38
Profit before finance costs and income tax	95,721.97	26.78	98,575.56	24.28	86,144.90	21.48
Finance costs	308.95	0.09	319.80	0.08	438.43	0.11
Profit before income tax	95,413.02	26.70	98,255.76	24.20	85,706.47	21.37
Income tax	2,199.94	0.62	3,561.11	0.88	2,559.65	0.64
Net Profit	93,213.08	26.08	94,694.65	23.33	83,146.82	20.73
Basic earnings per share (Baht)	0.99		0.99		0.87	
Diluted earnings per share (Baht)	0.99		0.98		0.86	
Book value per share (Baht)	3.17		3.57		3.74	
Par value (Baht)	1.00		1.00		1.00	

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

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011 to 2013

Unit : Thousand Baht

Financial Status	December 31, 2011		December 31, 2012		December 31, 2013	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets						
Cash and cash equivalents	16,253.93	4.74	21,987.98	5.53	38,744.38	9.00
Current investment	91,625.69	26.73	104,035.99	26.15	75,180.96	17.46
Trade and other receivables	70,896.19	20.68	83,011.94	20.86	66,048.17	15.34
Unbilled services income	59,816.12	17.45	63,146.77	15.87	91,819.56	21.32
Inventories	5,919.01	1.73	5,150.75	1.29	9,048.48	2.10
Other current assets	-	-	-	-	-	-
Total current assets	244,510.94	71.33	277,333.43	69.70	280,841.55	65.22
Non-current assets						
Pledged bank deposit	3,000.00	0.88	9,500.00	2.39	13,958.08	3.24
Available for sales investment	5,028.31	1.47	-	-	-	-
Investment in subsidiary	-	-	-	-	-	-
Property, plant and equipment-net	79,252.01	23.12	106,733.53	26.82	130,295.54	30.26
Prepayment for purchase of fixed assets	6,002.06	1.75	-	-	-	-
Income tax deducted at source	4,059.54	1.18	4,057.87	1.02	4,548.81	1.06
Others non-current assets	915.05	0.27	290.42	0.07	934.53	0.22
Total non-current assets	98,256.97	28.67	120,581.82	30.30	149,736.96	34.78
Total assets	342,767.91	100.00	397,915.25	100.00	430,578.51	100.00

STATEMENTS OF FINANCIAL POSITION(Cont.)

AS AT DECEMBER 31, 2011 to 2013

Unit : Thousand Baht

Financial Status	December 31, 2011		December 31, 2012		December 31, 2013	
	Amount	%	Amount	%	Amount	%
Liabilities						
Current liabilities						
Trade and other payable	45,237.82	13.20	42,461.57	10.67	51,527.28	11.97
Current portion of long - term liabilities	2,053.86	0.60	2,379.77	0.60	3,289.37	0.76
Accrued income tax	-	-	324.91	0.08	506.29	0.12
Total current liabilities	47,291.68	13.80	45,166.25	2.45	55,322.94	12.85
Non-current liabilities						
Liabilities under financial lease agreement-net	3,294.00	0.96	4,558.16	1.15	4,698.36	1.09
Employee benefits obligation	6,893.26	2.01	8,888.17	2.23	10,089.27	2.34
Total non-current liabilities	10,187.26	2.97	13,446.33	3.38	14,787.63	3.43
Total liabilities	57,478.94	16.77	58,612.58	14.73	70,110.57	16.28
Shareholders' equity						
Authorized share capital	100,000	29.17	99,000.00	24.88	99,000.00	22.99
Issued and paid-up share capital	90,000.00	26.26	95,089.54	23.90	96,577.28	22.43
Premium on share capital	55,970.57	16.33	59,344.27	14.91	67,852.86	15.76
Equity-settled share-based payment reserve	-	-	699.47	0.18	501.90	0.12
Appropriated-legal reserve	10,000.00	2.92	10,000.00	2.51	10,000.00	2.32
Unappropriated	128,804.98	37.58	172,153.36	43.26	183,878.01	42.70
Other components of equity	179.32	0.05	-	-	-	-
Total owners of the Company	284,954.87	83.13	337,286.63	84.76	358,810.05	83.33
Non-controlling interests	334.10	0.10	2,016.04	0.51	1,657.89	0.39
Total shareholders' equity	285,288.97	83.23	339,302.67	85.27	360,467.94	83.72
Total liabilities and shareholders' equity	342,767.91	100.00	397,915.25	100.00	430,578.51	100.00

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 to 2013

Unit : Baht

	2011	2012	2013
Cash flows from operating activities			
Profit before income tax	95,413,019.48	98,255,763.83	85,706,464.66
Adjustments			
Revesed doubtful accounts	-	-	-
Unrealized gain on changes in investment valuation	-	-	(918,460.49)
Doubtful accounts	(388,688.92)	9,361.56	761,091.34
Unbilled services income	(30,263,969.62)	(3,330,648.27)	(28,672,789.97)
Depreciation	16,435,157.31	19,582,568.23	18,485,956.56
(Gain) Loss on write off fixed assets	(763,365.54)	63,884.51	1,774,681.44
(Gain) Loss on impairment of assets	(21,603.73)	5,708.52	18,136.04
Write off withholding income tax	-	60,207.82	39,618.44
Unrealized loss on exchange rate	-	33,507.67	-
Employee benefits	1,120,347.00	3,283,754.00	2,489,935.00
Interest expenses	308,945.59	319,809.31	428,710.82
	81,839,841.57	118,283,917.18	80,113,343.84
(Increase) Decrease in portion of operating assets			
Trade and other receivables	(8,718,410.53)	(12,573,295.78)	16,202,683.25
Inventories	(71,511.13)	768,256.87	(3,897,732.72)
Other non-current assets	-792,102.15	618,919.10	(662,243.04)
Increase (Decrease) in portion of operating liabilities			
Trade and other payable	17,877,214.95	(1,012,233.23)	6,004,155.08
Cash generated from operation	90,135,032.71	106,085,564.14	97,760,206.41
Interest paid	(308,945.59)	(319,809.31)	(428,710.82)
Income tax received (paid)	421,800.21	(3,294,740.22)	(2,908,825.95)
Net cash provided by operating activities	90,247,887.33	102,471,014.61	94,422,669.64

STATEMENTS OF CASH FLOWS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2011 to 2013

Unit : Baht

	2011	2012	2013
Cash flows from investing activities			
(Increase) Decrease in current investment	(14,070,723.30)	(7,561,310.97)	29,773,491.70
Increase in pledged bank deposit	(3,000,000.00)	(6,500,000.00)	(4,458,077.02)
(Increase) Decrease in available for sales investment	60,328.54	-	-
Payments for purchase ordinary share of subsidiary	-	-	-
Proceeds from sales of fixed assets	1,091,220.09	1,019,312.62	1,394,127.55
Payments for purchase of fixed assets	(28,310,629.97)	(39,311,816.71)	(37,790,725.85)
Prepayment for purchase of fixed assets	(6,002,055.00)	-	-
Net cash used in investing activities	(50,231,859.54)	(52,353,815.06)	(11,081,183.62)
Cash flows from financing activities			
Increase (Decrease) in short-term loans from related persons	-	-	-
Decrease in long-term loans	-	-	-
Decrease in liabilities under financial lease agreement	(2,874,794.57)	(2,592,684.38)	(3,314,692.98)
Proceeds from exercised of warrants to purchase ordinary shares	-	3,374,228.00	8,509,930.00
Proceeds from increase share capital	-	-	-
Proceeds from shareholders	245,150.00	735,225.00	75.00
Dividend paid	(40,500,000.00)	(45,899,927.00)	(71,780,388.75)
Net cash used in financing activities	(43,129,644.57)	(44,383,158.38)	(66,585,076.73)
Net increase (decrease) in cash and cash equivalents	(3,113,616.78)	5,734,041.17	16,756,409.29
Cash and cash equivalents as at January 1	19,367,551.37	16,253,934.59	21,987,975.76
Cash and cash equivalents as at December 31	16,253,934.59	21,987,975.76	38,744,385.05

Explanation and Analysis of Financial Status and Result of the Operation

Operations Results of Qualitech Public Company Limited and Subsidiary Company

Financial Status

Assets

The total assets on 31 December 2013 of Qualitech Public Company and subsidiary companies were Baht 430.58 million which increased from 2012 year end at Baht 32.66 million or 8.21% as the reasons below:

- The current assets increased Baht 3.51 million or 1.26% as increased in consumable goods in stock Baht 3.89 million baht for supporting in coming job in year 2014.
- The non-current assets in creased Baht 29.15 million or 24.18% as increased Bath 23.56 million or 22.08% in land and building acquisition for business expansion and purchased new equipment to sufficiently support our services.
- Pledged bank deposit increased Bath 4.45 million or 46.93% for bank deposit for contingent liabilities from bank's issuance of letter of guarantee for several clients

Debts

The total debts on 31 December 2013 of Qualitech Public Company and subsidiary companies were Bath 70.11 million which increased from year 2012 at Bath 11.49 milion or 19.62% as increased Bath 10.15 million or 22.49% of the current assets and Bath 1.34 million or 9.98% of the non-current assets which main reasons from the increasing in trade accounts payable and expenses on 31 December 2013.

Shareholder's Equity

The total Shareholder's Equity on 31 December 2013 were Bath 360.47 million which increased from year end 2012 at Bath 21.16 million or 6.24% from the accumulated income increase Bath 11.72 million from Qualitech Public Company and subsidiary company at Bath 183.88 million, also premium on common stocks increase Bath 8.51 million from ESOP to management and/or employees.

Overall operation

Revenue

In year 2013, the total revenue of Qualitech Public Company and subsidiary companies were Bath 401.13 million decreased from year 2012 at Bath 4.84 million or 1.20% Income from the Non-destructive testing services slightly decrease due to customer postpone the working schedule to early 2014

Analysis of Overall Operation

Revenue

Unit: Million Baht

Type of Work	2012		2013	
	Amount	%	Amount	%
Non-Destructive Testing	221.66	54.60	215.48	53.72
Inspection and Certification	180.28	44.41	181.52	45.25
Others	4.03	0.99	4.13	1.03
Total Revenue	405.97	100.00	401.13	100

Cost of Services and Selling and Administrative Expenditure

In year 2013, the Cost of Services and Selling and Administrative Expenditure of Qualitech Public Company and subsidiary companies were Bath 315.43 million which increase from year 2012 at Bath 7.71 million or 2.51% Majority cost increase were caused from personnel basis salary adjustment which conform to competition in labor market, personnel development expenses and community events arrangement expense.

Net Profit

Net profit in year 2013 of Qualitech Public Company and subsidiary companies were Bath 83.50 million which decrease from year 2012 at Bath 10.24 million or 10.93% due to net profit of Non-destructive testing service decreased from clients postponed working schedule, basis salary adjustment and personnel development expenses to comply with international standard for endure growth of company in future.

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To The Shareholders of Qualitech Public Company Limited

I have audited the accompanying consolidated and separate financial statements of Qualitech Public Company Limited and subsidiaries and of Qualitech Public Company Limited, which comprise consolidated and separate statements of financial position as at December 31, 2013, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in shareholders' equity, and consolidated and separate statements of cash flows for the year then ended, including notes of summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with standards on auditing. Those standards require that 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Qualitech Public Company Limited and subsidiaries and of Qualitech Public Company Limited as at December 31, 2013, and their financial performance and cash flows for the year then ended in accordance with the financial reporting standards.

D I A International Audit Co., Ltd.



(Miss Somjintana Polhirunrat)

C.P.A. (Thailand)

Registration No. 5599

February 13, 2014

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

Assets	Note	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
		2013	2012	2013	2012
Current assets					
Cash and cash equivalents	5	38,744,385.05	21,987,975.76	33,309,761.23	19,252,107.93
Current investment	6	75,180,963.50	104,035,994.71	75,180,963.50	104,035,994.71
Trade and other receivables	7	66,048,169.17	83,011,943.76	65,100,635.24	80,033,281.17
Unbilled services income		91,819,560.12	63,146,770.15	91,869,896.86	63,146,770.15
Inventories		9,048,478.88	5,150,746.16	8,090,974.23	5,150,746.16
Total current assets		<u>280,841,556.72</u>	<u>277,333,430.54</u>	<u>273,552,231.06</u>	<u>271,618,900.12</u>
Non-current assets					
Investment in subsidiaries	8	0.00	0.00	3,519,550.00	2,269,625.00
Pledged bank deposits	9	13,958,077.02	9,500,000.00	13,958,077.02	9,500,000.00
Property, plant and equipment	10	130,295,541.24	106,733,527.05	128,799,971.78	106,688,194.27
Income tax deducted at source		4,548,807.91	4,057,869.54	4,538,223.20	4,057,800.49
Others non-current assets	11	934,530.92	290,423.92	934,530.92	290,423.92
Total non-current assets		<u>149,736,957.09</u>	<u>120,581,820.51</u>	<u>151,750,352.92</u>	<u>122,806,043.68</u>
Total assets		<u><u>430,578,513.81</u></u>	<u><u>397,915,251.05</u></u>	<u><u>425,302,583.98</u></u>	<u><u>394,424,943.80</u></u>

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Cont'd)

AS AT DECEMBER 31, 2013

		Consolidated financial statements (Baht)		Separate financial statements (Baht)	
Liabilities and shareholders' equity	Note	2013	2012	2013	2012
Current liabilities					
Trade and other payables	12	51,527,281.15	42,461,572.18	52,897,011.95	42,186,329.51
Current portion of long-term liabilities	13	3,289,373.24	2,379,766.64	3,151,524.79	2,379,766.64
Accrued income tax		506,289.42	324,912.71	0.00	0.00
Total current liabilities		55,322,943.81	45,166,251.53	56,048,536.74	44,566,096.15
Non-current liabilities					
Financial lease liabilities	13	4,698,356.33	4,558,155.91	4,295,887.77	4,558,155.91
Employee benefit obligations		10,089,271.00	8,888,175.00	10,089,271.00	8,888,175.00
Total non-current liabilities		14,787,627.33	13,446,330.91	14,385,158.77	13,446,330.91
Total liabilities		70,110,571.14	58,612,582.44	70,433,695.51	58,012,427.06
Shareholders' equity					
Share capital					
Authorized share capital	14				
99,000,000 common shares of					
Baht 1 each		99,000,000.00	99,000,000.00	99,000,000.00	99,000,000.00
Issued and paid-up share capital	14				
96,577,285 common shares of					
Baht 1 each		96,577,285.00		96,577,285.00	
95,089,535 common shares of					
Baht 1 each			95,089,535.00		95,089,535.00
Premium on share capital		67,852,859.52	59,344,268.49	67,852,859.52	59,344,268.49
Equity-settled share-based payment reserve		501,897.88	699,469.91	501,897.88	699,469.91
Retained earnings					
Appropriated - legal reserve	15	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00
Unappropriated	16	183,878,010.51	172,153,355.14	179,936,846.07	171,279,243.34
Total owners of the Company		358,810,052.91	337,286,628.54	354,868,888.47	336,412,516.74
Non-controlling interests		1,657,889.76	2,016,040.07	0.00	0.00
Total shareholders' equity		360,467,942.67	339,302,668.61	354,868,888.47	336,412,516.74
Total liabilities and shareholders' equity		430,578,513.81	397,915,251.05	425,302,583.98	394,424,943.80

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
		2013	2012	2013	2012
Services income		397,005,270.06	401,936,272.72	396,064,893.44	392,649,272.82
Cost of services		(265,312,920.75)	(259,964,002.32)	(269,781,722.67)	(253,307,505.65)
Gross profit		131,692,349.31	141,972,270.40	126,283,170.77	139,341,767.17
Other income		4,128,798.41	4,036,894.14	4,262,439.65	3,806,352.13
Administrative expenses		(49,676,249.23)	(47,433,591.40)	(47,640,981.67)	(46,824,806.58)
Finance costs		(438,433.83)	(319,809.31)	(428,710.82)	(319,809.31)
Profit before income tax		85,706,464.66	98,255,763.83	82,475,917.93	96,003,503.41
Income tax expenses	17	(2,559,645.85)	(3,561,111.65)	(2,037,926.45)	(3,111,636.71)
Profit for the year		83,146,818.81	94,694,652.18	80,437,991.48	92,891,866.70
Other comprehensive income (expense)					
Unrealized gain on changes in investment valuation		0.00	(179,322.07)	0.00	(179,322.07)
Total comprehensive income for the year		83,146,818.81	94,515,330.11	80,437,991.48	92,712,544.63
Profit attributable to :					
Owners of the Company		83,505,044.12	93,747,941.76	80,437,991.48	92,891,866.70
Non-controlling interests		(358,225.31)	946,710.42	0.00	0.00
		83,146,818.81	94,694,652.18	80,437,991.48	92,891,866.70
Total comprehensive income attributable to :					
Owners of the Company		83,505,044.12	93,568,619.69	80,437,991.48	92,712,544.63
Non-controlling interests		(358,225.31)	946,710.42	0.00	0.00
		83,146,818.81	94,515,330.11	80,437,991.48	92,712,544.63
Earnings per share					
Basic earnings per share		0.87	0.99	0.84	0.98
Weighted average number of common shares		95,823,113	94,664,033	95,823,113	94,664,033
Diluted earnings per share	18	0.86	0.98	0.83	0.98
Weighted average number of common shares	18	96,940,085	95,258,883	96,940,085	95,258,883

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2013

Consolidated financial statements (Baht)

Note	Owners of the Company							Non-controlling interests	Total shareholders' equity
	Issued and paid-up share capital	Premium on share capital	Equity-settled share-based payment reserve	Retained earnings		Other components of equity	Total owners of the Company		
				Appropriated	Unappropriated				
						Other comprehensive income (expense) Unrealized gain on changes in investment valuation			
Balance as at December 31, 2011	90,000,000.00	55,970,571.40	0.00	10,000,000.00	128,804,975.38	179,322.07	284,954,868.85	334,104.65	285,288,973.50
Changes in shareholders' equity for the year:									
Common shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	735,225.00	735,225.00
Share-based payment	0.00	0.00	1,288,839.00	0.00	0.00	0.00	1,288,839.00	0.00	1,288,839.00
Common shares exercised from warrants	589,900.00	3,373,697.09	(589,369.09)	0.00	0.00	0.00	3,374,228.00	0.00	3,374,228.00
Dividend paid	4,499,635.00	0.00	0.00	0.00	(31,499,635.00)	0.00	(27,000,000.00)	0.00	(27,000,000.00)
Total comprehensive income for the year	0.00	0.00	0.00	0.00	93,747,941.76	(179,322.07)	93,568,619.69	946,710.42	94,515,330.11
Interim dividend paid	0.00	0.00	0.00	0.00	(18,899,927.00)	0.00	(18,899,927.00)	0.00	(18,899,927.00)
Balance as at December 31, 2012	95,089,535.00	59,344,268.49	699,469.91	10,000,000.00	172,153,355.14	0.00	337,286,628.54	2,016,040.07	339,302,668.61
Changes in shareholders' equity for the year:									
Common shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	75.00	75.00
Share-based payment	0.00	0.00	1,288,839.00	0.00	0.00	0.00	1,288,839.00	0.00	1,288,839.00
Common shares exercised from warrants	1,487,750.00	8,508,591.03	(1,486,411.03)	0.00	0.00	0.00	8,509,930.00	0.00	8,509,930.00
Dividend paid	0.00	0.00	0.00	0.00	(47,853,592.50)	0.00	(47,853,592.50)	0.00	(47,853,592.50)
Total comprehensive income for the year	0.00	0.00	0.00	0.00	83,505,044.12	0.00	83,505,044.12	(358,225.31)	83,146,818.81
Interim dividend paid	0.00	0.00	0.00	0.00	(23,926,796.25)	0.00	(23,926,796.25)	0.00	(23,926,796.25)
Balance as at December 31, 2013	96,577,285.00	67,852,859.52	501,897.88	10,000,000.00	183,878,010.51	0.00	358,810,052.91	1,657,889.76	360,467,942.67

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

Note	Separate financial statements (Baht)							Total shareholders' equity
	Issued and paid-up share capital	Premium on share capital	Equity-settled share-based payment reserve	Retained earnings		Other components of equity		
				Appropriated	Unappropriated	Other comprehensive income (expense)		
Balance as at December 31, 2011								
Changes in shareholders' equity for the year:								
	14	0.00	0.00	1,288,839.00	0.00	0.00	0.00	1,288,839.00
	14	589,900.00	3,373,697.09	(589,369.09)	0.00	0.00	0.00	3,374,228.00
	16	4,499,635.00	0.00	0.00	0.00	(31,499,635.00)	0.00	(27,000,000.00)
		0.00	0.00	0.00	0.00	92,891,866.70	(179,322.07)	92,712,544.63
	16	0.00	0.00	0.00	0.00	(18,899,927.00)	0.00	(18,899,927.00)
Balance as at December 31, 2012								
Changes in shareholders' equity for the year:								
	14	0.00	0.00	1,288,839.00	0.00	0.00	0.00	1,288,839.00
	14	1,487,750.00	8,508,591.03	(1,486,411.03)	0.00	0.00	0.00	8,509,930.00
	16	0.00	0.00	0.00	0.00	(47,853,592.50)	0.00	(47,853,592.50)
		0.00	0.00	0.00	0.00	80,437,991.48	0.00	80,437,991.48
	16	0.00	0.00	0.00	0.00	(23,926,796.25)	0.00	(23,926,796.25)
Balance as at December 31, 2013								

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Cash flows from operating activities				
Profit before income tax	85,706,464.66	98,255,763.83	82,475,917.93	96,003,503.41
Adjustments				
Unrealized gain on changes in investment valuation	(918,460.49)	0.00	(918,460.49)	0.00
Doubtful accounts	761,091.34	9,361.56	761,091.34	9,361.56
Increase in unbilled service income	(28,672,789.97)	(3,330,648.27)	(28,723,126.71)	(3,330,648.27)
Depreciation	18,485,956.56	19,582,568.23	18,371,893.91	19,565,816.56
Loss on disposal of fixed assets	1,774,681.44	63,884.51	1,774,681.44	31,796.81
Loss on impairment of assets	18,136.04	5,708.52	18,136.04	5,708.52
Write off income tax deducted at source	39,618.44	60,207.82	39,618.44	60,207.82
Unrealized loss on exchange rate	0.00	33,507.67	0.00	0.00
Employee benefits	2,489,935.00	3,283,754.00	2,489,935.00	3,283,754.00
Interest expenses	428,710.82	319,809.31	428,710.82	319,809.31
	80,113,343.84	118,283,917.18	76,718,397.72	115,949,309.72
(Increase) Decrease in portion of operating assets				
Trade and other receivables	16,202,683.25	(12,573,295.78)	14,171,554.59	(10,258,114.58)
Inventories	(3,897,732.72)	768,256.87	(2,940,228.07)	768,256.87
Other non-current assets	(662,243.04)	618,919.10	(662,243.04)	612,519.10
Increase (Decrease) in portion of operating liabilities				
Trade and other payables	6,004,155.08	(1,012,233.23)	7,649,128.55	(786,814.06)
Cash generated (paid) from operation	97,760,206.41	106,085,564.14	94,936,609.75	106,285,157.05
Interest paid	(428,710.82)	(319,809.31)	(428,710.82)	(319,809.31)
Income tax received (paid)	(2,908,825.95)	(3,294,740.22)	(2,557,967.60)	(3,170,108.94)
Net cash provided by (used in) operating activities	94,422,669.64	102,471,014.61	91,949,931.33	102,795,238.80

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2013

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Cash flows from investing activities				
Decrease (Increase) in current investment	29,773,491.70	(7,561,310.97)	29,773,491.70	(7,561,310.97)
Payments for acquire of ordinary share of subsidiary	0.00	0.00	(1,249,925.00)	(764,775.00)
Increase in pledged bank deposit	(4,458,077.02)	(6,500,000.00)	(4,458,077.02)	(6,500,000.00)
Proceeds from sales of fixed assets	1,394,127.55	1,019,312.62	1,394,127.55	862,762.62
Payments for fixed assets acquisition	(37,790,725.85)	(39,311,816.71)	(36,810,676.52)	(39,061,094.56)
Net cash provided by (used in) investing activities	(11,081,183.62)	(52,353,815.06)	(11,351,059.29)	(53,024,417.91)
Cash flows from financing activities				
Decrease in financial lease liabilities	(3,314,692.98)	(2,592,684.38)	(3,270,759.99)	(2,592,684.38)
Dividend paid	(71,780,388.75)	(45,899,927.00)	(71,780,388.75)	(45,899,927.00)
Proceeds from exercised of warrants to purchase ordinary shares	8,509,930.00	3,374,228.00	8,509,930.00	3,374,228.00
Proceeds for non-controlling interests	75.00	735,225.00	0.00	0.00
Net cash provided by (used in) financing activities	(66,585,076.73)	(44,383,158.38)	(66,541,218.74)	(45,118,383.38)
Net increase (decrease) in cash and cash equivalents	16,756,409.29	5,734,041.17	14,057,653.30	4,652,437.51
Cash and cash equivalents as at January 1	21,987,975.76	16,253,934.59	19,252,107.93	14,599,670.42
Cash and cash equivalents as at December 31	38,744,385.05	21,987,975.76	33,309,761.23	19,252,107.93

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

1. GENERAL INFORMATION

- 1.1 The Company was registered as a company limited on February 11, 1991 with registration No. 0105534013647 and on December 12, 2007, the Company has changed its status to public company limited with registration No. 0107550000220 and is listed company in the Market for Alternative Investment (MAI) on June 9, 2009.
- 1.2 Head office is located at 21/3 Banplong Road, Maptaphut, Muang, Rayong and two branches office are located at 1/37 Moo 1, Nongchak, Banbueng, Chonburi and at 50, Soi Pattanakarn 57, Prawet District, Bangkok.
- 1.3 The Company engaged in business of provides the technical services testing, inspection and certification for operation safety of industry equipment, pressure vessel, industrial boiler, piping and steel structures which is important for the production process, storage, transport of the products in power generating, petrochemical industry and construction to comply with industrial standard and the government laws.

2. PREPARATION OF FINANCIAL STATEMENTS BASIS

- 2.1 The financial statements have been prepared in conformity with Financial Reporting Standards, enunciated under the Accounting Professions Act B.E. 2547 and presented in accordance with the notification of Department of Business Development by Ministry of Commerce dated September 28, 2011 regarding the condensed form should be included in the financial statements B.E. 2554 and in accordance with the regulations of the Securities and Exchange Commission regarding the preparation and presentation of financial reporting under the Securities and Exchange Act B.E. 2535.

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

2.2 Accounting standards adoption during the year

The Federation of Accounting Professions issued accounting standards, financial reporting standards, standing interpretations and accounting guidance which are expected to be effective for the financial statements beginning on or after January 1, 2013 as detailed below:

Accounting Standards

TAS 12 Income Taxes

TAS 20 Accounting for Government Grants and Disclosure of Government Assistance

TAS 21 (Revised 2009) The Effects of Changes in Foreign Exchange Rate

Financial Reporting Standards

TFRS 8 Operation Segments

Standing Interpretations

TSIC 10 Government Assistance-No Specific Relation to Operating Activities

TSIC 21 Income Taxes- Recovery of Revalued Non-Depreciable Assets

TSIC 25 Income Taxes- Changes in the Tax Status of an Enterprises or its Shareholders

Accounting Guidance

Transfers of Financial Assets

The above accounting standards, financial reporting standards, standing interpretations and accounting guidance will have no significantly impacts on these financial statements.

2.3 The new issued and revised accounting standards and financial reporting standards

- 1) The new issued and revised accounting standards and financial reporting standards which are expected to be effective for the financial statements beginning on or after January 1, 2014 onwards and the Company and subsidiaries have not adopted in the preparation of these financial statements. The details are following:

Accounting Standards

TAS 1 (Revised 2012) Presentation of Financial Statements

TAS 7 (Revised 2012) Statement of Cash Flows

TAS 12 (Revised 2012) Income Taxes

TAS 17 (Revised 2012) Leases

TAS 18 (Revised 2012) Revenue

TAS 19 (Revised 2012) Employee Benefits

TAS 21 (Revised 2012) The Effects of Changes in Foreign Exchange Rate

TAS 24 (Revised 2012) Related Party Disclosures

TAS 28 (Revised 2012) Investments in Associates

TAS 31 (Revised 2012) Interests in Joint Venture

TAS 34 (Revised 2012) Interim Financial Reporting

TAS 38 (Revised 2012) Intangible Assets

Financial Reporting Standards

TFRS 2 (Revised 2012) Share - Based Payments

TFRS 3 (Revised 2012) Business Combinations

TFRS 5 (Revised 2012) Non-current Held for Sale and Discontinued Operations

TFRS 8 (Revised 2012) Operating Segments

Standing Interpretations

TSIC 15 Operating Leases - Incentives

TSIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

TSIC 29 Service Concession Arrangements Disclosures

TSIC 32 Intangible Assets - Web Site Costs

Financial Reporting Interpretations

TFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

TFRIC 4 Determining whether an Arrangement contains a Lease

TFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental

Rehabilitation Funds

TFRIC 7 Applying the Restatement Approach under TAS 29 *Financial Reporting in*

Hyperinflationary Economies

TFRIC 10 Interim Financial Reporting and Impairment

TFRIC 12 Service Concession Arrangements

TFRIC 13 Customers Loyalty Programmes

TFRIC 17 Distributions of Non-cash Assets to Owners

TFRIC 18 Transfer of Assets from Customers

- 2) The issued and revised accounting standards and financial reporting standards which are effective for the financial statements beginning on or after January 1, 2016 onwards and the Company and subsidiaries have not applied for these financial statements as follows:

Financial Reporting Standards

TFRS 4 Insurance Contracts

At present, the Company and subsidiaries are being evaluated the effects of those standards on the financial statements in the year in which they are initially applied.

3. CONSOLIDATED FINANCIAL STATEMENTS PREPARATION BASIS

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

	Percentage of investment %		Type of Business
	2013	2012	
QLT International Limited	99.99	99.99	Providing engineering services in both Thailand and overseas and engage in relevant business
Qualitech Myanmar Limited	50.99	50.99	Security engineering services in Myanmar

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

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

4. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

4.1 Income and Expenses Recognition

4.1.1 Revenues and expenses are recognized on an accrual basis.

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

4.2 Cash and Cash Equivalents

Cash and cash equivalents included cash on hand and at bank of which the maturity is less than three months from the deposit date and without restriction on withdrawal.

4.3 Investments

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

4.4 Trade and Other Receivables

Trade and other receivables are stated at the rights to receive amount / invoice amount less allowance for doubtful accounts.

The Company and subsidiaries provided allowance for doubtful accounts by considering the overdue period of the accounts receivable from the abilities to repay the debts of each accounts receivable.

4.5 Inventory

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

4.6 Property, Plant and Equipment

4.6.1 Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and provision for impairment of assets (if any). Cost of assets including the dismantlement, removal and restoration the site on which it is located, the obligation for which the Company incurs.

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

The estimated useful lives of the assets are follows :

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

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

Land and assets under construction were not depreciated.

4.7 Impairment of Assets

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

4.8 Transactions in Foreign Currencies

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

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

4.9 Financial Instruments

Financial instruments are presented in statements of financial position, consist of cash and cash equivalents, current investment, trade accounts receivable, other receivables, trade account payable, other payables and financial lease liabilities. The basis of recognition and measurement of each item is separately disclosed in the related transactions.

4.10 Long-Term Lease Agreement

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

4.11 Employees Benefit

4.11.1 Provident fund

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

4.11.2 Post-Employee benefits

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

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

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

4.12 Income Tax and Deferred tax

1. Income tax expense for the period comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income
 - Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
 - Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized that it is probable that they will not utilize in the foreseeable future.
2. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they adjust, using tax rates enacted or substantively enacted at the reporting date.
3. In determining the amount of current and deferred tax, the Company and subsidiaries take into account the impact of uncertain tax positions and whether additional taxes and interest may be settled. The Company and subsidiaries believe that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company and subsidiaries to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.
4. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Company and subsidiaries intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.
5. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.13 Accounting Estimates

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

4.14 Provisions

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

4.15 Earnings per Share

Basic earnings per share is determined by dividing the net profit for the year by the weighted average number of common shares issued and paid-up during the year.

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

5. ADDITION DISCLOSURE OF STATEMENTS OF CASH FLOWS INFORMATION

5.1 Cash and cash equivalents

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Cash	420,501.88	333,661.23	276,376.48	283,661.23
Cash at bank - current accounts	34,000.00	33,000.00	34,000.00	33,000.00
Cash at bank - savings deposit	38,145,285.28	21,478,952.89	32,854,786.86	18,793,085.06
Cash at bank - fixed deposit	144,597.89	142,361.64	144,597.89	142,361.64
Total	<u>38,744,385.05</u>	<u>21,987,975.76</u>	<u>33,309,761.23</u>	<u>19,252,107.93</u>

5.2 Non - cash transaction

For the year 2013

Parent company

The Company entered into hire purchase vehicles agreement of Baht 5.03 million which was already made the initial installment in the amount of Baht 1.25 million. The remaining is presented as financial lease liabilities.

Subsidiary

The subsidiary entered into hire purchase vehicles agreement of Baht 0.78 million which was already made the initial installment in the amount of Baht 0.19 million. The remaining is presented as financial lease liabilities.

For the year 2012

Parent company

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

6. CURRENT INVESTMENT

	Consolidated and	
	Separate financial statements (Baht)	
	2013	2012
Investment in open-end fund :-		
T - Cash Fund	0.00	17,449,042.69
Krung Thai Thanasup B42 (KTSUPB42)	0.00	20,189,000.00
UOB Sure Dairy	0.00	4,992,263.37
Thanachart Capital Protection Government Bond 3M/3 Fund (TGOV3M3)	26,583,814.27	25,911,376.80
UOB Income Dairy	11,090,452.98	20,487,706.26
Krung Thai Savings Fund (KTSS)	1,526,780.94	10,005,444.94
UOB FI Plus Plus 3/7	15,064,800.00	0.00
Total investment in open-end fund	54,265,848.19	99,034,834.06
Bank of Thailand Bonds (BOT 131A # 1/3/2553)	0.00	5,001,160.65
Cash at bank - fixed deposit 6 months	20,915,115.31	0.00
Total	75,180,963.50	104,035,994.71

Such fund invested in debt securities which had minimal risk.

7. TRADE AND OTHER RECEIVABLES

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Trade accounts receivable	73,069,143.37	89,604,847.91	72,675,874.83	87,901,711.00
Other receivables	6,522,723.01	6,189,701.72	5,968,457.62	4,914,176.04
Total	79,591,866.38	95,794,549.63	78,644,332.45	92,815,887.04
Less Allowance for doubtful accounts				
- Trade accounts receivable	(13,543,697.21)	(12,782,605.87)	(13,543,697.21)	(12,782,605.87)
Net	66,048,169.17	83,011,943.76	65,100,635.24	80,033,281.17

Billed trade accounts receivable separated on aging

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Undue trade accounts receivable	25,483,298.52	33,354,446.63	25,344,521.78	33,324,256.63
Overdue trade accounts receivable				
- Less than 3 months	29,724,983.69	39,814,373.18	29,692,543.69	38,825,350.53
- Over 3 months to 6 months	4,773,344.34	3,859,752.42	4,708,464.34	3,175,828.16
- Over 6 months to 12 months	91,150.00	145,646.60	91,150.00	145,646.60
- Over 12 months	12,996,366.82	12,430,629.08	12,839,195.02	12,430,629.08
Total	73,069,143.37	89,604,847.91	72,675,874.83	87,901,711.00

8. INVESTMENTS IN SUBSIDIARIES

Company's name	Type of business	Relationship	Paid-up share capital (Baht)		Percentage of shareholding		Separate financial statements (Baht)	
			2013	2012	2013	2012	2013	2012
QLT International Limited	Providing engineering services in both	The Company held 99.99% share capital,	2,500,000.00	1,250,000.00	99.99	99.99	2,499,850.00	1,249,925.00
	Thailand and overseas director and management and engage in relevant have common-shareholding business							
Qualitech Myanmar Limited	Security engineering services in Myanmar	The Company held 50.99% share capital,	2,000,000.00	2,000,000.00	50.99	50.99	1,019,700.00	1,019,700.00
	director and management have common-shareholding							
Total							3,519,550.00	2,269,625.00

During the year QLT International Limited has called for and received the payment of common shares amount of Baht 1.25 million (50,000 common shares of Baht 25 each), resulting to the Company has 50% issued and paid-up share capital equal to the registration amount of Baht 2.50 million.

The financial statements for the year ended December 31, 2013 and 2012 of above subsidiaries have been taken for preparing the consolidated financial statements were audited by the auditor.

9. PLEDGED BANK DEPOSIT

As at December 31, 2013 and 2012, the Company has a bank deposit amount of Baht 13.96 million and Baht 9.50 million respectively which is mortgaged as collateral against contingent liabilities from bank's issuance of letter of guarantee (note 26).

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated financial statements (Baht)									
	Land	Building	Building improvement	Office furniture and fixtures	Tools and technical equipment	Office equipment	Utilities system	Vehicles	Assets under construction	Total
Assets - cost :										
As at December 31, 2011	11,219,000.00	9,290,260.87	2,476,377.35	5,325,733.66	108,141,545.95	8,051,613.85	1,291,122.36	44,258,510.16	14,505,745.33	204,559,909.53
Acquisition	7,500,000.00	0.00	5,384,166.77	1,428,939.57	22,320,056.74	1,667,105.08	0.00	5,777,140.00	3,872,500.00	47,949,908.16
Disposal	0.00	0.00	0.00	(66,774.06)	(4,333,845.71)	(195,346.73)	0.00	(2,936,260.46)	(125,418.91)	(7,657,645.87)
Transference	0.00	18,208,457.12	44,369.30	0.00	0.00	0.00	0.00	0.00	(18,252,826.42)	0.00
As at December 31, 2012	18,719,000.00	27,498,717.99	7,904,913.42	6,687,899.17	126,127,756.98	9,523,372.20	1,291,122.36	47,099,389.70	0.00	244,852,171.82
Acquisition	16,361,000.00	5,564,000.00	752,268.04	1,031,122.53	11,087,636.21	1,824,223.44	0.00	6,589,665.00	2,006,864.52	45,216,779.74
Disposal	0.00	0.00	0.00	(40,374.30)	(10,511,079.29)	(757,551.21)	0.00	(4,221,625.61)	0.00	(15,530,630.41)
As at December 31, 2013	35,080,000.00	33,062,717.99	8,657,181.46	7,678,647.40	126,704,313.90	10,590,044.43	1,291,122.36	49,467,429.09	2,006,864.52	274,538,321.15
Accumulated depreciation :										
As at December 31, 2011	0.00	4,351,427.36	727,378.93	2,856,068.97	79,440,916.33	5,703,454.61	1,291,118.36	30,937,534.47	0.00	125,307,899.03
Depreciation for the year	0.00	1,263,634.14	291,542.13	813,640.13	14,705,991.14	1,365,927.34	0.00	1,133,097.30	0.00	19,573,832.18
Depreciation - write off	0.00	0.00	0.00	(54,820.25)	(4,160,408.83)	(192,098.48)	0.00	(2,355,758.88)	0.00	(6,763,086.44)
As at December 31, 2012	0.00	5,615,061.50	1,018,921.06	3,614,888.85	89,986,498.64	6,877,283.47	1,291,118.36	29,714,872.89	0.00	138,118,644.77
Depreciation for the year	0.00	1,527,544.55	396,488.86	891,500.35	12,869,117.47	1,319,559.86	0.00	1,481,745.47	0.00	18,485,956.56
Depreciation - write off	0.00	0.00	0.00	(34,876.64)	(8,502,498.27)	(430,824.07)	0.00	(3,393,622.44)	0.00	(12,361,821.42)
As at December 31, 2013	0.00	7,142,606.05	1,415,409.92	4,471,512.56	94,353,117.84	7,766,019.26	1,291,118.36	27,802,995.92	0.00	144,242,779.91
Net book value										
As at December 31, 2012	18,719,000.00	21,883,656.49	6,885,992.36	3,073,010.32	36,141,258.34	2,646,088.73	4.00	17,384,516.81	0.00	106,733,527.05
As at December 31, 2013	35,080,000.00	25,920,111.94	7,241,771.54	3,207,134.84	32,351,196.06	2,824,025.17	4.00	21,664,433.17	2,006,864.52	130,295,541.24

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Separate financial statements (Baht)										
	Land	Building	Building improvement	Office furniture and fixtures	Tools and technical equipment	Office equipment	Utilities system	Vehicles	Assets under construction	Total
Assets - cost :										
As at December 31, 2011	11,219,000.00	9,290,260.87	2,476,377.35	5,325,733.66	108,141,545.95	8,051,613.85	1,291,122.36	44,258,510.16	14,505,745.33	204,559,909.53
Acquisition	7,500,000.00	0.00	5,384,166.77	1,428,939.57	22,266,708.34	1,667,105.08	0.00	5,777,140.00	3,872,500.00	47,896,559.76
Disposal	0.00	0.00	0.00	(66,774.06)	(4,333,845.71)	(195,346.73)	0.00	(2,936,260.46)	(125,418.91)	(7,657,645.87)
Transference	0.00	18,208,457.12	44,369.30	0.00	0.00	0.00	0.00	0.00	(18,252,826.42)	0.00
As at December 31, 2012	18,719,000.00	27,498,717.99	7,904,913.42	6,687,899.17	126,074,408.58	9,523,372.20	1,291,122.36	47,099,389.70	0.00	244,798,823.42
Acquisition	16,361,000.00	5,564,000.00	752,268.04	1,027,522.53	10,979,935.66	1,450,224.66	0.00	5,510,665.00	2,006,864.52	43,652,480.41
Disposal	0.00	0.00	0.00	(40,374.30)	(10,511,079.29)	(757,551.21)	0.00	(4,221,625.61)	0.00	(15,530,630.41)
As at December 31, 2013	35,080,000.00	33,062,717.99	8,657,181.46	7,675,047.40	126,543,264.95	10,216,045.65	1,291,122.36	48,388,429.09	2,006,864.52	272,920,673.42
Accumulated depreciation :										
As at December 31, 2011	0.00	4,351,427.36	727,378.93	2,856,068.97	79,440,916.33	5,703,454.61	1,291,118.36	30,937,534.47	0.00	125,307,899.03
Depreciation for the year	0.00	1,263,634.14	291,542.13	813,640.13	14,697,975.52	1,365,927.34	0.00	1,133,097.30	0.00	19,565,816.56
Depreciation - write off	0.00	0.00	0.00	(54,820.25)	(4,160,408.83)	(192,098.48)	0.00	(2,355,758.88)	0.00	(6,763,086.44)
As at December 31, 2012	0.00	5,615,061.50	1,018,921.06	3,614,888.85	89,978,483.02	6,877,283.47	1,291,118.36	29,714,872.89	0.00	138,110,629.15
Depreciation for the year	0.00	1,527,544.55	396,488.86	891,443.16	12,851,783.47	1,272,686.76	0.00	1,431,947.11	0.00	18,371,893.91
Depreciation - write off	0.00	0.00	0.00	(34,876.64)	(8,502,498.27)	(430,824.07)	0.00	(3,393,622.44)	0.00	(12,361,821.42)
As at December 31, 2013	0.00	7,142,606.05	1,415,409.92	4,471,455.37	94,327,768.22	7,719,146.16	1,291,118.36	27,753,197.56	0.00	144,120,701.64
Net book value										
As at December 31, 2012	18,719,000.00	21,883,656.49	6,885,992.36	3,073,010.32	36,095,925.56	2,646,088.73	4.00	17,384,516.81	0.00	106,688,194.27
As at December 31, 2013	35,080,000.00	25,920,111.94	7,241,771.54	3,203,592.03	32,215,496.73	2,496,899.49	4.00	20,635,231.53	2,006,864.52	128,799,971.78

Tools and technical equipment as at December 31, 2013

(Unit : Baht)

Assets acquired	Cost	Accumulated depreciation	Net cost
Depreciation by straight-line method			
- Before October 23, 1999	2,279,464.99	(2,279,373.99)	91.00
- 2004 until present	46,808,030.44	(33,468,062.37)	13,339,968.07
Depreciation by double-declining balance method			
- Before October 23, 1999 to 2003	4,567,694.17	(4,567,635.17)	59.00
- 2006 until present	72,888,075.35	(54,012,696.69)	18,875,378.66
Total	126,543,264.95	(94,327,768.22)	32,215,496.73

Tools and technical equipment as at December 31, 2012

(Unit : Baht)

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

Depreciation for the years ended December 31, 2013 and 2012 were Baht 12.85 million and Baht 14.70 million respectively.

11. OTHER NON-CURRENT ASSETS

	Consolidated and Separate financial statements (Baht)	
	2013	2012
Deposit receivable under contract	4,557,094.99	3,912,987.99
Others	24,405.05	6,269.01
Total	4,581,500.04	3,919,257.00
Less Allowance for doubtful accounts	(3,622,564.07)	(3,622,564.07)
Less Provision for impairment of assets	(24,405.05)	(6,269.01)
Net	934,530.92	290,423.92

12. TRADE AND OTHER PAYABLES

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Trade accounts payable	8,213,563.52	9,508,031.54	11,567,703.14	9,224,756.96
Other payables				
Accrued expenses	35,913,594.06	28,821,939.82	34,117,301.48	28,851,241.90
Assests payables	4,100,983.99	1,039,430.10	4,100,983.99	1,039,430.10
Others	3,299,139.58	3,092,170.72	3,111,023.34	3,070,900.55
Total	51,527,281.15	42,461,572.18	52,897,011.95	42,186,329.51

13. FINANCIAL LEASE LIABILITIES

13.1 Financial lease liabilities excluded future interest expenses as follows :

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Hire purchase payable	7,987,729.57	6,937,922.55	7,447,412.56	6,937,922.55
Less Current portion of long-term				
liabilities	(3,289,373.24)	(2,379,766.64)	(3,151,524.79)	(2,379,766.64)
Net	4,698,356.33	4,558,155.91	4,295,887.77	4,558,155.91

13.2 The Company and subsidiaries' fixed assets at cost are being made the payment as indicated in agreement as follows:

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Vehicles	17,335,037.38	13,418,037.38	16,556,037.38	13,418,037.38
Office equipment	242,780.16	242,780.16	242,780.16	242,780.16
Total	17,577,817.54	13,660,817.54	16,798,817.54	13,660,817.54

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

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Within 1 year	3,664,223.88	2,717,909.75	3,503,255.88	2,717,909.75
Over 1 year less than 3 years	4,647,199.97	4,175,452.74	4,217,951.97	4,175,452.74
Over 3 years less than 5 years	236,391.00	569,103.00	236,391.00	569,103.00
Total	8,547,814.85	7,462,465.49	7,957,598.85	7,462,465.49
Less Future interest expenses of				
financial lease	(560,085.28)	(524,542.94)	(510,186.29)	(524,542.94)
Present value of financial lease				
liabilities	7,987,729.57	6,937,922.55	7,447,412.56	6,937,922.55

14. SHARE CAPITAL

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

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

4) The increase and decrease of share capital for the year ended December 31, 2013 and 2012 are as follow :

	Authorized share capital		Issued and paid-up share capital	
	Number of shares	Amount (Baht)	Number of shares	Amount (Baht)
Balance as at January 1, 2012	90,000,000	90,000,000.00	90,000,000	90,000,000.00
Increase the registered share capital	9,000,000	9,000,000.00	0	0.00
Dividend paid	0	0.00	4,499,635	4,499,635.00
Common shares issued from exercise				
of warrants (QLT -ESOP)	0	0.00	589,900	589,900.00
Balance as at December 31, 2012	99,000,000	99,000,000.00	95,089,535	95,089,535.00
Common shares issued from exercise				
of warrants (QLT -ESOP)	0	0.00	1,487,750	1,487,750.00
Balance as at December 31, 2013	99,000,000	99,000,000.00	96,577,285	96,577,285.00

14.2 Warrants

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

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

For the year ended December 31, 2013 and 2012, the Company recorded expenses for the issuance of warrants to purchase common shares (QLT -ESOP) to the Company's management and employees amount of Baht 1.29 million per year which included in employee benefit expenses and recorded "Equity-settled share-based payment reserve" in shareholders' equity.

The increase and decrease of warrants to purchase the Company's ordinary share (QLT -ESOP) for the years ended December 31, 2013 and 2012 are as follow :

	Number of units
Balance as at January 1, 2012	0
Issued warrants	4,300,000
Exercise of warrants	<u>(589,900)</u>
Balance as at December 31, 2012	3,710,100
Exercise of warrants	<u>(1,487,750)</u>
Balance as at December 31, 2013	<u><u>2,222,350</u></u>

15. LEGAL RESERVE

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

16. RETAINED EARNINGS APPROPRIATION

For the year 2013

According to the annual general shareholders' meeting for the year 2013 held on April 10, 2013, the shareholders passed the resolution to pay dividend from the result of profit for the year 2012 to the shareholders at Baht 0.70 per share, total amount of Baht 66.75 million by making interim dividend payment at Baht 0.20 per share for 94.50 million ordinary shares, total amount of Baht 18.90 million, thus, the remaining annual dividend payment at Baht 0.50 per share for 95.71 million ordinary shares, total amount of Baht 47.85 million. During the year, the Company has paid the dividend in fully amounts.

According to the minutes of Board of Directors' meeting No. 3/2013 held on August 10, 2013, passed the resolution to pay dividend from the result of six months profit for the year 2013 to the shareholders at Baht 0.25 per share total amount of Baht 23.93 million. During the year, the Company has paid such dividend in fully amount.

For the year 2012

According to the annual general shareholders' meeting for the year 2012 held on April 11, 2012, the shareholders passed the resolution to pay dividend from the result of profit for the year 2011 to the shareholders at Baht 0.55 per share for 90 million ordinary shares, total amount of Baht 49.50 million which was made on May 10, 2012 by dividing into:

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

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

17. INCOME TAX**17.1 The calculation of current income taxes****Parent company**

The Company calculated corporate income tax at the rate of 20% (at the rate of 23% for the year 2012) of profit (loss) before deducting with tax expenses for the year and added back other expenses which shall not be allowed as expenses in tax calculation (if any) except the exempted profit derived from promoted activities (note 23).

Subsidiary

Subsidiary calculated corporate income tax at the rate of 15 - 20% (at the rate of 15 - 23% for the year 2012) of profit (loss) before deducting with tax expenses for the year and added back other expenses which shall not be allowed as expenses in tax calculation (if any).

17.2 Income tax recognized in profit or loss

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Current tax				
For the current year	2,559,645.85	3,561,111.65	2,037,926.45	3,111,636.71
Deferred tax				
Changes in temporary differences	0.00	0.00	0.00	0.00
Total income tax	2,559,645.85	3,561,111.65	2,037,926.45	3,111,636.71

As at December 31, 2013 and 2012, allowance for doubtful accounts amount of Baht 13.54 million and Baht 12.78 million respectively are allowance for doubtful accounts of trade accounts receivable granted from promotional investment which have no impacts on deferred tax from taking TAS 12 "Income Taxes" to apply.

17.3 Reconciliation for effective income tax rate

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Profit before income tax after profit derived from promoted activities	12,815,105.02	15,450,908.84	9,584,558.29	13,198,648.42
Income tax rate (%)	20	23	20	23
Income tax	2,563,021.00	3,553,709.03	1,916,911.66	3,035,689.14
Prohibited taxable expenses	187,050.43	101,708.16	187,050.43	101,708.16
Additional taxable expenses	(66,035.64)	(25,760.59)	(66,035.64)	(25,760.59)
Profit (Loss) for the period				
in subsidiaries	(124,389.94)	(68,544.95)	0.00	0.00
Total income tax	2,559,645.85	3,561,111.65	2,037,926.45	3,111,636.71
Income tax rate (%)	20	23	21	24

18. EARNINGS PER SHARE

	Consolidated financial statements							
	Profit			Number of shares			Earnings / share	
	2013	Baht	2012	2013	shares	2012	2013	Baht 2012
Basic earnings per share								
Net profit of common shareholders	83,505,044.12	93,747,941.76		95,823,113		94,664,033	0.87	0.99
Effects of potential common								
share (exercise rights)	-	-		1,116,972		594,850.00		
Diluted earnings per share								
Profit of common shareholders assumed								
as conversion to common share	83,505,044.12	93,747,941.76		96,940,085		95,258,883	0.86	0.98

	Separate financial statements							
	Profit			Number of shares			Earnings / share	
	2013	Baht	2012	2013	shares	2012	2013	Baht 2012
Basic earnings per share								
Net profit of common shareholders	80,437,991.48	92,891,866.70		95,823,113		94,664,033	0.84	0.98
Effects of potential common								
share (exercise rights)	-	-		1,116,972		594,850		
Diluted earnings per share								
Profit of common shareholders assumed								
as conversion to common share	80,437,991.48	92,891,866.70		96,940,085		95,258,883	0.83	0.98

19. TRANSACTIONS WITH RELATED PERSONS AND PARTIES

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

19.1 General information

Name	Relationship	Description	Pricing policy
Related persons			
Mr. Sannpat Rattakham	The Company's director and shareholder	Guarantee	Non-service charge
Mrs. Monta Chaiyaban	Spouses of the Company's director and shareholder	Office rental	At the agreed rate of Baht 8,500 starting in June 2008
		Land and office building acquisition	At the value appraised by the independent appraiser plus Baht 1.5 million
Subsidiary company			
Qualitech Myanmar Limited	The Company held 50.99% share capital, director and management have common shareholding	Wages	Close to market value
QLT International Limited	The Company held 99.99% share capital, director and management have common shareholding	Wages	Close to market value

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

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Trade and other receivables				
Qualitech Myanmar Limited	0.00	0.00	1,500.00	56,716.21
QLT International Limited	0.00	0.00	80,000.00	0.00
Total	0.00	0.00	81,500.00	56,716.21
Trade and other payables				
Qualitech Myanmar Limited	0.00	0.00	107,836.74	36,802.08
QLT International Limited	0.00	0.00	3,985,101.44	0.00
Total	0.00	0.00	4,092,938.18	36,802.08

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

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Service income - wages				
Qualitech Myanmar Limited	0.00	0.00	1,401.87	1,364,219.37
QLT International Limited	0.00	0.00	6,000.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>7,401.87</u>	<u>1,364,219.37</u>
Other income - rental				
QLT International Limited	0.00	0.00	87,476.64	0.00
Other income - management fee				
QLT International Limited	0.00	0.00	80,000.00	0.00
Cost of services - wages				
Qualitech Myanmar Limited	0.00	0.00	447,096.50	76,176.00
QLT International Limited	0.00	0.00	8,135,882.00	0.00
Total	<u>0.00</u>	<u>0.00</u>	<u>8,582,978.50</u>	<u>76,176.00</u>
Administrative expenses - travelling				
Qualitech Myanmar Limited	0.00	0.00	33,612.27	0.00
Administrative expenses - office rental				
Mrs. Monta Chaiyaban	8,500.00	102,000.00	8,500.00	102,000.00

19.4 Fixed assets acquisition with related persons and parties are as follows :

For the first quarter of 2013, according to the minutes of Board of directors' meeting No. 1/2013 held on February 16, 2013, the Board of directors ratified involving land and office building acquisition instead of lease from spouses of the Company's director and shareholder (Mrs. Monta Chaiyaban). The Company acquired such land with its office building in the price of Baht 7.50 million which is higher than the appraisal value amount of Baht 1.50 million that the management deems that this price is appropriated, caused by the Company can save the cost of removal and renovation of its office.

20. DIRECTORS' REMUNERATION

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

21. MANAGEMENT BENEFIT EXPENSES

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

22. EXPENSES ANALYZED BY NATURE

Expenses analyzed by nature are as follows :

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2013	2012	2013	2012
Employee benefit expenses	194,432,962.45	167,777,558.97	190,947,813.97	167,730,386.80
Depreciation	18,485,956.56	19,582,568.23	18,371,893.91	19,565,816.56
Supplies used	27,020,091.74	38,671,844.29	26,690,468.90	35,034,377.34
Contractor wage	17,954,519.52	25,556,226.03	25,868,303.05	23,730,014.05
Travelling and accommodation expenses	11,112,936.58	12,721,929.12	10,814,544.43	12,006,431.99
Office expenses	6,896,379.17	6,978,785.08	6,790,920.06	6,942,332.55
Fee and consulting fee	2,699,650.36	3,038,545.48	2,574,175.02	2,876,269.05
Repairs and maintenance expenses	4,722,770.26	5,385,394.30	4,716,880.34	5,385,394.30
Directors' remuneration	2,272,753.64	2,247,435.77	2,272,753.64	2,247,435.77
Management benefit expenses	17,146,994.03	16,541,743.69	17,146,994.03	16,541,743.69

23. PROMOTIONAL PRIVILEGES

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

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

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

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

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

23.2 The results of operation of the Company and subsidiaries for the year ended December 31, 2013 and 2012 separated into promoted business and non-promoted business as follows:

	Consolidated financial statements (Baht)					
	Promoted business		Non-promoted business		Total	
	2013	2012	2013	2012	2013	2012
Services income	330,601,989.72	343,481,285.19	66,403,280.34	58,454,987.53	397,005,270.06	401,936,272.72
Cost of services	(218,013,275.77)	(219,673,772.40)	(47,299,644.98)	(40,119,192.95)	(265,312,920.75)	(259,792,965.35)
Gross profit	112,588,713.95	123,807,512.79	19,103,635.36	18,335,794.58	131,692,349.31	142,143,307.37
Other income	0.00	0.00	4,128,798.41	4,036,894.14	4,128,798.41	4,036,894.14
Administrative expenses	(39,343,312.41)	(40,725,581.36)	(10,332,936.82)	(6,879,047.01)	(49,676,249.23)	(47,604,628.37)
Finance costs	(354,041.90)	(277,076.44)	(84,391.93)	(42,732.87)	(438,433.83)	(319,809.31)
Profit before income tax	72,891,359.64	82,804,854.99	12,815,105.02	15,450,908.84	85,706,464.66	98,255,763.83
Income tax expenses	0.00	0.00	(2,559,645.85)	(3,561,111.65)	(2,559,645.85)	(3,561,111.65)
Profit for the year	72,891,359.64	82,804,854.99	10,255,459.17	11,889,797.19	83,146,818.81	94,694,652.18

24. SEGMENT INFORMATION

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

25. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

1) Accounting policy

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

2) Credit risk

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

3) Interest rate risk

Interest rate risk from changes in market interest rate will affect the results of the Company and subsidiaries operations and cash flows. The Company and subsidiaries exposed the interest rate risk due to its deposits at bank and financial lease liabilities. The Company and subsidiaries do not use derivative financial instruments to hedge such risk.

4) Fair value of financial instruments

Financial assets shown in statemets of financial position consist of cash and cash equivalents and current investment, and trade and other receivables. Financial liabilities shown in statemets of financial position consist of trade and other payables and financial lease liabilities.

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

26. COMMITMENT AND CONTINGENT LIABILITIES

26.1 The Company has commitment under hire agreement for renovate office building with a company, total amount as at December 31, 2013 of Baht 0.10 million and purchase technical equipment agreement amount of USD 17,500.

26.2 The Company has contingent liabilities from a local bank's issuance of letter of guarantee for the results of work to customers of the Company and guarantee the electricity usage to government agency, total amount as at December 31, 2013 and 2012 of Baht 13.34 million and Baht 4.86 million respectively. Contingent liabilities are guaranteed by bank deposits (Note 9).

27. PROVIDENT FUND

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

This fund is managed by Kasikorn Thai Assets Management Company Limited. For the year 2013 and 2012, the Company has contribution expenses in the amount of Baht 3.08 million and Baht 2.78 million respectively.

28. CAPITAL MANAGEMENT

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

29. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Board of directors of the Company on February 13, 2014.



บริษัท ควอลิตี้เทค จำกัด (มหาชน)

Qualitech Public Company Limited