



BJCHI

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED

ANNUAL

REPORT 2013



Contents

Message from Chairman	1
Message from President	2
Vision / Mission / Business Goal	3
Management Structure	4
Financial Highlights	18
Company's Information	23
History	25
Business Overview	27
Marketing and Competition	32
Risk Factors	36
Information of Securities and Shareholders	42
Corporate Governance	44
Corporate Social Responsibility	56
Internal Control and Risk Management	60
Connected Transactions	62
Report of the Board's Responsibilities for the Financial Statements	66
Report of Audit Committee	68
Management Discussion and Analysis	70
Financial Statements	78

Investors can study additional information of the securities issuer from F56-1
at www.sec.or.th or the Company's website at www.bjc1994.com



Message from Chairman



Dear Shareholders,

I am pleased to inform our shareholders of great achievements in 2013, resulting from the continuous commitment and efforts of the management team and all of our employees. BJC Heavy Industries Public Company Limited enjoyed significant success in business operations, both in terms of revenues and profit, as well as the listing on the Stock Exchange of Thailand in late November, 2013.

For the 2013 performance, the Company marked the second consecutive year of the best annual earnings since the Company's inception 19 years ago, recording earnings at Baht 1,206 million out of Baht 3,929 million total revenues. Growth in top and bottom lines was owing to the Company's focuses in quality of products and services, staff development, good project management and effective cost management. Our products satisfied customers and were accepted by project owners and major contractors in the international level.

To maintain its long-term success, the Company has participated in biddings of new projects from both existing customers and new customers in new markets. The Company has also employed risk assessment and risk management strategies to keep risks, such as raw material price fluctuation, skilled labor scarcity and foreign exchange, at manageable levels. It is a great challenge for the Company to develop the organization and at the same time maximizing returns for shareholders. I, the Board of Directors, and the management will carefully operate our business to ensure customers' satisfaction and increase the Company's wealth over the long run.

On behalf of BJC Heavy Industries Public Company Limited, I would like to thank our shareholders, customers, partners, management, employees, financial institutions and all related parties, including public and private agencies, for their continuous support to our business. I assure that the Company will operate with transparency, prudence, good corporate governance, at our full capacity for sustainable development and ultimate interests of all stakeholders.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ms. Pakavalee Jearsawatvattana'.

Ms. Pakavalee Jearsawatvattana
Chairman of the Board of Directors



Message from President

Dear Shareholders,

2013 was another crucial year for BJC Heavy Industries Public Company Limited. Because the Company held on to its business principles “Best Quality, Just on Time Delivery, Cost Effective Service”, it was able to register solid revenues, net profit, cash flows and basic earnings per share, resulting in robust financial position. The Company used these principles as strategies to maintain leadership in sophisticated engineering construction and seek opportunities to bid for new projects and make new investment to maximize shareholders’ benefit. Moreover, in 2013 the Company has achieved another milestone by listing on the Stock Exchange of Thailand.

In 2013, total revenues rose to Baht 3,929 million from Baht 3,653 million (+7.56% YoY) due mainly to continuous realization of revenues from two major clients in Australia namely Laing O’Rourke Australia Construction Pty Limited (“LOR”) and Australia Pacific LNG Pty Limited (“APLNG”). Meanwhile, net profit in 2013 surged to Baht 1,206 million (+52.16% YoY) from Baht 793 million. Gross profit margin widened to 40.29% of contracted revenues from 28.96% in 2012, consequently widening net profit margin significantly to 30.70% from 21.70% in 2012. With far-reaching vision of the management, the Company entered the Australian market, a country with abundant natural resources, with continuous investment projects that resulted in persistent revenue growth. BJC Heavy Industries is among the first operators penetrating into the Australian market. In the future, the Company aims to focus on resource-rich countries with potential of high-value investment projects such as countries in South America and Asia like Brazil and Thailand’s neighboring countries.

Beyond making a profit, we also believe that good Corporate Governance (CG) is vital element for the the Company’s sustainable growth. The Company has strong determination in Corporate Social Responsibility (CSR) for both the community and the environment by means of supporting projects that enhance community’s strength and sustainability such as donating for public activities, helping underprivileged persons, promoting occupational health and safety, and promoting employment of local residents, etc.

I would like to take this opportunity to thank the management team and employees for their dedications that lead to the Company’s growth and success. In addition, I would like to thank our customers, shareholders and all relevant parties for their trust and continued support to our business. I sincerely hope that you are satisfied with the Company’s performance and development and that you will continue to support the Company towards success in the future.

Yours truly,

Mr. Kyu Young Lee
President

Vision

The Company aspires to be one of the world-class engineering service providers. The Company focuses on providing comprehensive services to satisfy needs of customers in heavy industries at various locations around the world.

Mission

1. Committing to supply the best products and services to our customers with the aim of enhancing the highest customer satisfaction.
2. Improving the management system in every aspect to constantly achieve operational excellence.
3. Recognizing the value of our people and continually strive to increase their competences.

Business Goal

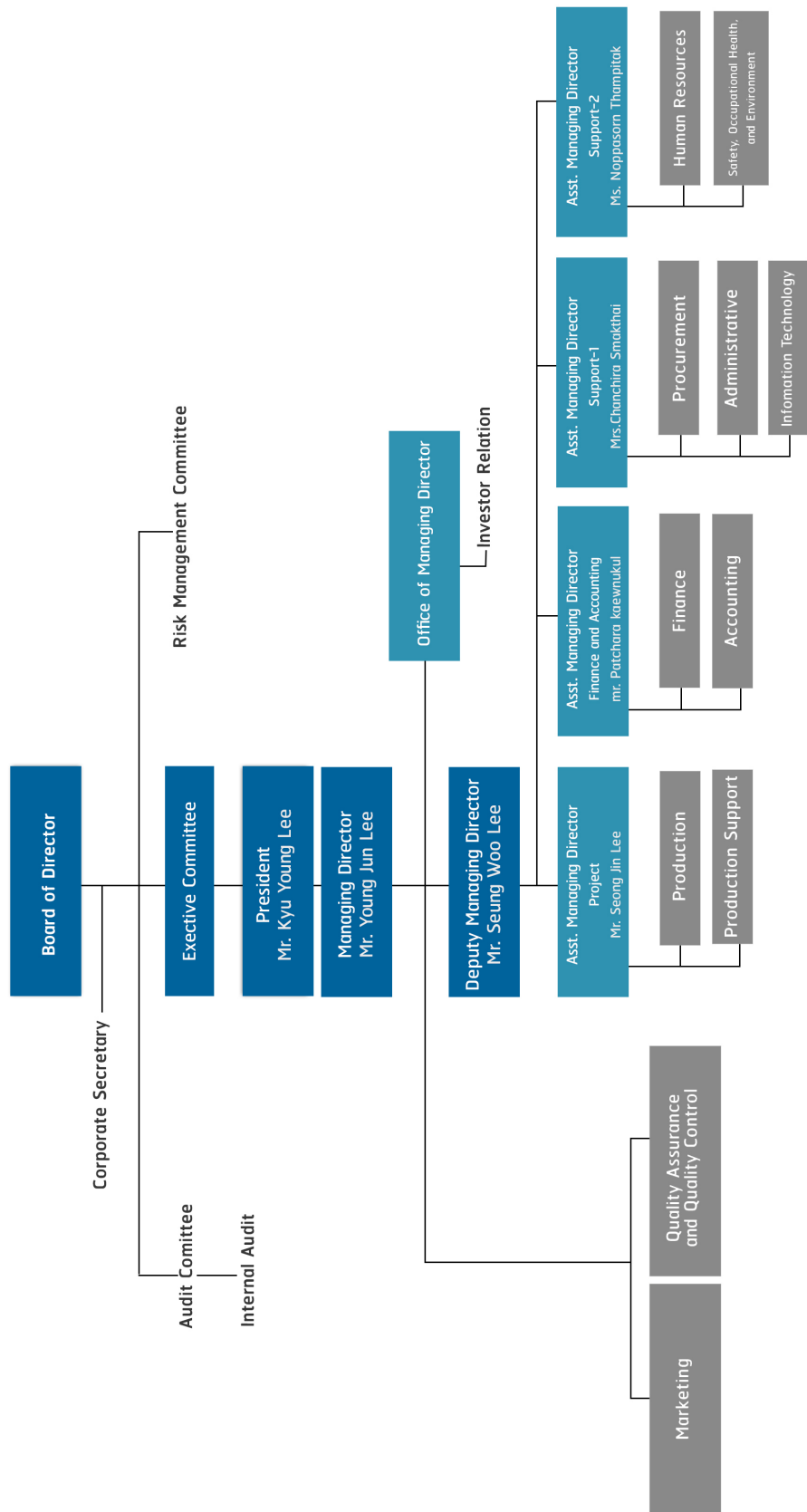
The Company targets to be one of the leading service providers of Steel fabrication, Modularization, Site erection, and Precast concrete molding to both domestic and overseas customers in various industries, namely Mining, Petrochemical, Gas, Refinery, Power plant, fertilizer and port. The Company intends to continuously develop the capability of its staffs and maintain quality of manufacturing services to meet with international standards, ensuring punctual delivery at reasonable and fair prices in order to create confidence and stay competitive against foreign competitors. The Company also plans to expand customer base to markets with high growth potential, such as countries in South America where natural resources remain abundant and also have a number of investments in businesses relating to natural resources that require substantial volume of steel for construction works. The Company sets average annual revenues growth at no less than 15% for the next three years.



 BJCHI
BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
Management Structure



Management Structure



Board of Directors

(Respectively from left to right)

1. Assoc.Prof.Dr.Ekachidd Chungcharoen
2. Mr. Boonchuay Korkitrotjana
3. Mr. Noppadol Dheerabutrpongkul
4. Ms. Pakavalee Jearsawatvattana
5. Mr. Kyu Young Lee
6. Mrs. Chanchira Smakthai
7. Mr. Seong Jin Lee
8. Mr. Seung Woo Lee
9. Mr. Young Jun Lee



Executive Committee

(Respectively from left to right)

1. Mr. Patchara Kaewnukul
2. Mr. Seong Jin Lee
3. Mrs. Chanchira Smakthai
4. Mr. Kyu Young Lee
5. Mr. Seung Woo Lee
6. Mr. Young Jun Lee



Audit Committee

(Respectively from left to right)

1. Assoc.Prof.Dr.Ekachidd Chungcharoen
2. Mr. Boonchuay Korkitrotjana
3. Mr. Noppadol Dheerabutrpongkul



Board of Directors



Ms. Pakavalee Jearsawatvattana

Chairman of the Board of Directors
Independent Director

Age 49

Educational Background

- M.B.A in Finance, National Institute of Development Administration
- Bachelor of Economics, Thammasat University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 104/2013
- Certificate of Role of the Chairman Program (RCP), Thai Institute of Directors (IOD) Class 32/2013

Work Experience

- 2013-Present - Chairman of the Board of Directors / Independent Director, BJC Heavy Industries Pcl.
- 2013-Present - Consultant, Finansa Securities Limited
- 2012-2013 - Managing Director, Finansa Securities Limited
- 2011-2012 - Deputy Managing Director, Finansa Securities Limited
- 2006-2011 - Executive Vice President, KGI Securities (Thailand) Plc.

Meeting Attendance 6/8 Board of Directors' meetings

Shareholding in the Company None

Relationship with other Executives None



Mr. Kyu Young Lee

Director
President

Age 69

Educational Background

- Bachelor of Aeronautical Mechanical Engineering, Korea National Aviation College
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 88/2011

Work Experience

- 2013-Present - Director / President, BJC Heavy Industries Pcl.
- 1994-2012 - Director / President, BJC Heavy Industries Ltd.

Meeting Attendance 8/8 Board of Directors' meetings

Shareholding in the Company 53,600,000 Shares (16.75%)

Relationship with other Executives

- Father of Mr. Young Jun Lee (Director / Managing Director)
- Father of Mr. Seung Woo Lee (Director / Deputy Managing Director)
- Uncle of Mr. Seong Jin Lee (Director / Assistant Managing Director – Project)



Mr. Young Jun Lee

Director
Managing Director

Age 41

Educational Background

- Bachelor of Business Administration, Major in International Business Management (IBM) Assumption University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 88/2011

Work Experience

- 2013-Present - Director / Managing Director, BJC Heavy Industries Pcl.
- 2010-2012 - Director / Vice President, BJC Heavy Industries Ltd.
- 2003-2010 - General Manager, BJC Heavy Industries Ltd.

Meeting Attendance 7/8 Board of Directors' meetings

Shareholding in the Company 90,600,000 Shares (28.13%)

Relationship with other Executives

- Son of Mr. Kyu Young Lee (Director / President)
- Elder Brother of Mr. Seung Woo Lee (Director / Deputy Managing Director)



Mr. Seung Woo Lee

Director
Deputy Managing Director

Age 37

Educational Background

- Bachelor of General Management, Asian University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 88/2011

Work Experience

- 2013-Present - Director / Deputy Managing Director, BJC Heavy Industries Pcl.
- 2010-2012 - General Manager, BJC Heavy Industries Ltd.
- 2009-2010 - HR Manager, BJC Heavy Industries Ltd.
- 2004-2009 - Trading Manager, BJC Heavy Industries Ltd.

Meeting Attendance 8/8 Board of Directors' meetings

Shareholding in the Company 90,600,000 Shares (28.13%)

Relationship with other Executives

- Son of Mr. Kyu Young Lee (Director / President)
- Younger Brother of Mr. Young Jun Lee (Director / Managing Director)



Mr. Seong Jin Lee

Director

Assistant Managing Director – Project

Age 37

Educational Background

- Master of Chemical Engineering, Hannam University, South Korea
- Bachelor of Chemical Engineering, Hannam University, South Korea
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 88/2011

Work Experience

- 2013-Present - Director/ Assistant Managing Director – Project, BJC Heavy Industries Pcl.
- 2006-2012 - Project Manager, BJC Heavy Industries Ltd.

Meeting Attendance 8/8 Board of Directors' meetings

Shareholding in the Company 500,000 Shares (0.15%)

Relationship with other Executives

- Nephew of Mr. Kyu Young Lee (Director / President)



Mrs. Chanchira Smakthai

Director

Assistant Managing Director – Support 1

Age 42

Educational Background

- Master of Business Administration, Burapha University
- Bachelor of Marketing, North Eastern Technological College
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 89/2011
- Chief Financial Officer Certification Program (CFO), Federation of Accounting Professions (FAP) Class 16/2012

Work Experience

- 2013-Present - Director / Assistant Managing Director – Support 1, BJC Heavy Industries Pcl.
- 2009-2012 - Accounting and Finance Manager, BJC Heavy Industries Ltd.
- 1995-2009 - Administration and Finance Manager, BJC Heavy Industries Ltd.

Meeting Attendance 8/8 Board of Directors' meetings

Shareholding in the Company 1,000,000 Shares (0.31%)

Relationship with other Executives None



Age 47

Educational Background

- Master of Business Administration, University of the Thai Chamber of Commerce
- Bachelor of Engineering, Chiang Mai University
- Bachelor of Public Health, Sukhothai Thammathirat Open University
- Bachelor of Science & Technology, Sukhothai Thammathirat Open University
- Bachelor of Economic, Sukhothai Thammathirat Open University
- Bachelor of Management Science, Sukhothai Thammathirat Open University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 92/2011
- Certificate of Advanced Audit Committee Program (AAP), Thai Institute of Directors (IOD) Class 13/2013

Work Experience

- 2013-Present - Independent Director/ Chairman of Audit Committee, BJC Heavy Industries Pcl.
- 2011-2012 - Independent Director/ Chairman of the Board of Directors/ Chairman of Audit Committee, BJC Heavy Industries Ltd.
- 2011-Present - Freelance Consultant and Trainer

Meeting Attendance

- 7/8 Board of Directors' meetings
- 5/5 Audit Committee's meetings

Shareholding in the Company None

Relationship with other Executives None



Age 51

Educational Background

- Ph.D. (Management Science) Faculty of Engineering, University of Waterloo
- Master of Management Science, Faculty of Engineering, University of Waterloo
- Master of Engineering Program in Electrical Engineering, Youngstown State University, USA
- Bachelor of Engineering Program in Electrical Engineering (Major in Computer), King Mongkut's Institute of Technology Ladkrabang
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 68/2008
- Certificate of Audit Committee Program (ACP) Class 22/2008

Work Experience

- 2013-Present - Independent Director/ Audit Committee Member, BJC Heavy Industries Pcl.
- 2011-2012 - Independent Director/ Audit Committee Member, BJC Heavy Industries Ltd.
- Present - Associate Professor, Department of Operations Management Faculty of Commerce and Accountancy Thammasat University
- 2010- Present - Director of MBA Program, Faculty of Commerce and Accountancy Thammasat University
- 2008-2010 - Head Department of Operations Management, Faculty of Commerce and Accountancy Thammasat University
- 2011-Present - Nominating and Compensating Committee, Phol Dhanya Plc.
- 2007-Present - Independent Director/ Audit Committee Member, Phol Dhanya Plc.

Meeting Attendance

- 7/8 Board of Directors' meetings
- 5/5 Audit Committee's meetings

Shareholding in the Company None

Relationship with other Executives None



Mr. Noppadol Dheerabutrpongkul

Independent Director

Audit Committee Member

Age 46

Educational Background

- Master of Science (Finance), University of Colorado at Denver
- Bachelor of Accounting, Thammasat University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 68/2008
- Certificate of Audit Committee Program (ACP) Class 23/2008
- Certificate of Role of the Nominating and Governance Committee (RNG) Class 3/2012

Work Experience

- 2013-Present - Independent Director/ Audit Committee Member, BJC Heavy Industries Pcl.
- 2011-2012 - Independent Director/ Audit Committee Member, BJC Heavy Industries Ltd.
- 2013-Present - Independent Director/ Audit Committee Member, ZEMASCH Corporation Co., Ltd.
- 2011- Present - Nominating and Compensating Committee, Phol Dhanya Plc.
- 2007- Present - Independent Director/ Audit Committee Member, Phol Dhanya Plc.
- 2007- Present - Executive Director, IFAC Co., Ltd.

Meeting Attendance

- 7/8 Board of Directors' meetings
- 5/5 Audit Committee's meetings

Shareholding in the Company None

Relationship with other Executives None

Executives



Ms. Noppasorn Thampitak

Company Secretary

Assistant Managing Director – Support 2

Age 45

Educational Background

- Bachelor of Accounting, Bangkok University
- Certificate of Company Secretary Program (CSP), Thai Institute of Directors (IOD) Class 41/2011

Work Experience

- 2013-Present - Assistant Managing Director – Support 2, BJC Heavy Industries Pcl.
- 2009-2012 - Administration Manager, BJC Heavy Industries Ltd.
- 2008-2009 - Admin. & HR. Manager, Thermal Engineering Service Ltd.
- 2005-2008 - Project Administration Manager, Marubeni Corporation Ltd.

Shareholding in the Company 50,000 Shares (0.02%)

Relationship with other Executives None



Mr. Patchara Kaewnukul

Assistant Managing Director -
Finance and Accounting

Age 43

Educational Background

- Master of Business Administration, Ramkhamhaeng University
- Master of Public and Private Management, National Institute of Development Administration
- Bachelor of Accounting, Thammasat University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 21/2004
- Certificate of Director Certification Program (DCP), Thai Institute of Directors (IOD) Class 99/2008

Work Experience

- 2013-Present - Assistant Managing Director – Finance and Accounting, BJC Heavy Industries Pcl.
- 2004-Present - Independent Director, Thai Mitsuwa Pcl.
- 2010-2012 - Corporate Finance Senior Manager and QCT Planning Manager, Misumi (Thailand) Co., Ltd.
- 2009-2010 - Accounting Manager, Thai Power Supply Co., Ltd.
- 2008-2009 - Accounting Manager, Biomass Supply Co., Ltd.

Shareholding in the Company None

Relationship with other Executives None

The Company's Committees

As of December 31, 2013, the Company's committee and sub-committee consist of;

Name	Board of Directors	Audit Committee	Executive Committee	Risk Management Committee
Ms. Pakavalee Jearsawatvattana	✓ (Chairman /Independent Director)	-	-	-
Mr. Kyu Young Lee	✓	-	✓ (Chairman)	✓ (Chairman)
Mr. Young Jun Lee	✓	-	✓	✓
Mr. Seung Woo Lee	✓	-	✓	✓
Mr. Seong Jin Lee	✓	-	✓	-
Mrs. Chanchira Smakthai	✓	-	✓	-
Mr. Boonchuay Korkitrotjana	✓ (Independent Director)	✓ (Chairman)	-	-
Assoc. Prof. Dr. Ekachidd Chungcharoen	✓ (Independent Director)	✓	-	-
Mr. Noppadol Dheerabutrpongkul	✓ (Independent Director)	✓	-	-
Mr. Patchara Kaewnukul	-	-	✓	✓
Mr. David John Dargan	-	-	-	✓
Mr. John Keith Marsh	-	-	-	✓

Remark : Mr. Noppadol Dheerabutrpongkul is a member of Audit Committee who has sufficient knowledge and experience in auditing the reliability of the Company's financial statements. He holds a Master Degree in Finance from the University of Colorado, USA, a Bachelor Degree of Accounting from Thammasat University, and has auditing experiences as a Certified Public Accountant (CPA). Currently, he assumes positions of independent director and member of audit committee in two other companies, namely Phol Dhanya Pcl. and ZEMASCH Corporation Co., Ltd.

Authorized Directors

Any of Mr. Kyu Young Lee, Mr. Young Jun Lee, or Mr. Seung Woo Lee is authorized to co-sign with Mrs. Chanchira Smakthai on behalf of the Company together with the affixation of the Company's seal.

Meeting Attendance

There were eight Board of Directors' meetings and five Audit Committee's meetings in 2013. Attendance details of the meetings are as follow;

Name	2013 Attendance (times)	
	Board of Directors	Audit Committee
1. Ms. Pakavalee Jearsawatvattana ^{/1}	6/8	-
2. Mr. Kyu Young Lee	8/8	-
3. Mr. Young Jun Lee ^{/2}	7/8	-
4. Mr. Seung Woo Lee	8/8	-
5. Mr. Seong Jin Lee	8/8	-
6. Mrs. Chanchira Smakthai	8/8	-
7. Mr. Boonchuay Korkitrotjana ^{/3}	7/8	5/5
8. Assoc. Prof. Dr. Ekachidd Chungcharoen ^{/3}	7/8	5/5
9. Mr. Noppadol Dheerabutrpongkul ^{/3}	7/8	5/5

Ramark: ^{/1} Appointed by the 2013 Annual General Meeting of Shareholders on March 18, 2013.

^{/2} Did not attend due to overseas business trip.

^{/3} All three directors did not attend the meeting because they have interest in one of the meeting's agenda to consider the appointment of the Audit Committee after the Company has transformed into a public company limited in May 2013.

Executives

As of December 31, 2013, the Company's executives consisted of seven persons whose names appear below;

Name	Position
1. Mr. Kyu Young Lee	President
2. Mr. Young Jun Lee	Managing Director
3. Mr. Seung Woo Lee	Deputy Managing Director
4. Mr. Seong Jin Lee	Assistant Managing Director - Project
5. Mr. Patchara Kaewnukul	Assistant Managing Director - Finance and Accounting
6. Mrs. Chanchira Smakthai	Assistant Managing Director - Support-1
7. Ms. Noppasorn Thampitak	Assistant Managing Director - Support-2

Corporate Secretary

The Board of Directors has appointed Ms. Noppasorn Thampitak as the Company Secretary since May 16, 2013 to comply with provisions of the Securities and Exchange Act B.E.2535 (A.D.1992) (as amended). The main responsibilities of the Company Secretary are to prepare and maintain the registration of directors, notices of the Board meeting, minutes of the Board meeting, annual reports of the Company, notices to the shareholders' meeting and minutes of the shareholders' meeting, to keep reports on conflicts of interest prepared by the directors or executives. The Company Secretary is also obliged to take any other actions required by the notifications of the Capital Market Supervisory Board and deliver copies of reports on conflicts of interest under Section 89/14 prepared by the directors to the Chairman of the Board and the Chairman of the Audit Committee within seven business days from the date on which the Company receives such reports. In addition, the Company Secretary also has the following duties:

- (1) to provide preliminary advice on relevant laws and regulations of the Company that directors should be aware of and monitor to ensure full compliance at all time as well as acknowledge the Board on any significant changes in relevant laws and regulations;
- (2) to hold meetings of the shareholders and the Board in compliance with the relevant laws, Articles of Association and good practices;
- (3) to record minutes of the shareholders' and the Board's meeting, as well as ensuring full compliance with resolutions of the meetings; to oversee the disclosures and reports of information under responsibility of the Company Secretary to relevant authorities in compliance with the rules and regulations;
- (4) to oversee activities of the Board and conduct other affairs in compliance with the laws and/or the notifications of the Capital Market Supervisory Board and/or as being assigned by the Board.

Remuneration of the Management

1) Monetary Remuneration

A. Remuneration of the Board

The Extraordinary General Meeting of Shareholders No. 1/2556 on May 7, 2013, approved the 2013 remuneration for the Board and the Audit Committee as follow;

Remuneration	Chairman of the Board of Directors	Director	Chairman of the Audit Committee	Audit Committee
Meeting allowance (Baht / person / time)	40,000	15,000	15,000	15,000
Salary (Baht / person / month)	40,000	15,000	15,000	15,000
Travelling expenses (Baht / person / time)	7,500	7,500	7,500	7,500
Accommodation expenses (if necessary)	Actual cost	Actual cost	Actual cost	Actual cost

Remark:

- 1) The meeting allowance is payable only to directors attending the meeting. Directors who also have management roles agreed not to accept the meeting allowance and this remunerations.
- 2) The remunerations of new director shall be payable from the date on which the director is appointed.

Details of remunerations paid to the Board in 2012 – 2013 are as follow;

Name	Remuneration (Baht)	
	2012	2013
1. Ms. Pakavalee Jearsawatvattana ¹	-	677,333
2. Mr. Kyu Young Lee	-	-
3. Mr. Young Jun Lee	-	-
4. Mr. Seung Woo Lee	-	-
5. Mr. Seong Jin Lee	-	-
6. Mrs. Chanchira Smakthai	-	-
7. Mr. Sakuk Jung ²	-	-
8. Mr. Boonchuay Korkitrotjana	300,000	707,500
9. Assoc. Prof. Dr. Ekachidd Chungcharoen	300,000	707,500
10. Mr. Noppadol Dheerabutrvongkul	300,000	707,500

Remark : Directors No. 2-7 also have management roles and fixed salaries. Thus, they refused to accept remunerations as being directors of the Company.

¹ Appointed by the 2013 Annual General Meeting of Shareholders for year on March 18, 2013.

² Resigned from his directorship, effective from January 1, 2012.

B. Remuneration of Executives

Details of remunerations paid to the Company's executives in 2012 – 2013 are as follow;

Remuneration	2012		2013	
	Number of Executives	Remuneration (Baht)	Number of Executives	Remuneration (Baht)
Salary, wages, bonus and other benefits, such as contribution to provident fund and social security fund	6 persons	13,951,440.39 ¹	7 persons	17,561,244.13 ¹

Remark : ¹ The figures include salaries of Mr. Kyu Young Lee, Mr. Young Jun Lee, Mr. Seung Woo Lee, Mr. Seong Jin Lee, and Mrs. Chanchira Smakthai. These five executives declined to accept remunerations as being directors of the Company.

2) Other Remuneration

- None -

Personnel**1) Number of Personnel**

As of December 31, 2013, the Company had a total of 1,624 employees (excluding the Board and the executives), consisting of 284 permanent employees and 1,340 daily wage employees. Details of employees are as follow:

Department	As of December 31, 2012		As of December 31, 2013	
	Permanent employee	Daily wage employee	Permanent employee	Daily wage employee
Marketing	7	-	4	-
Procurement	7	-	9	-
Production	102	1,731	117	1,226
Production Support	12	34	24	44
Quality Assurance and Quality Control	72	10	85	13
Accounting – Finance	12	-	14	-
Human Resources and Administration	13	54	18	56
Information Technology	4	-	6	-
Safety, Occupational Health, and Environment	9	1	7	1
Total	238	1,830	284	1,340

2) Total Remuneration of Employees (excluding Executives)

Remuneration	2012	2013
Salary, wages, bonus and other benefits, such as contribution to provident fund and social security fund	452,898,939.87	495,896,568.69

3) Provident Fund

The Company has formed a provident fund by joining “One A.M. Master Fund Provident Fund”, managed by One Asset Management Limited, effective from January 1, 2013 onwards. The provident fund is meant to provide incentive and boost morale of employees to encourage them to work with the Company in the long run.

4) Labor Dispute

The Company has not involved in any material labor disputes over the past three years.

5) Personnel Development Policy

The Company has a policy to develop personnel's knowledge, operational capability, retain knowledgeable and skilled staffs with the Company, and provide career path. The Company also holds regular internal and external training courses. It has conducted an annual training plan, surveying training demand of staffs in all levels of all departments, to arrange appropriate training for each area of works.



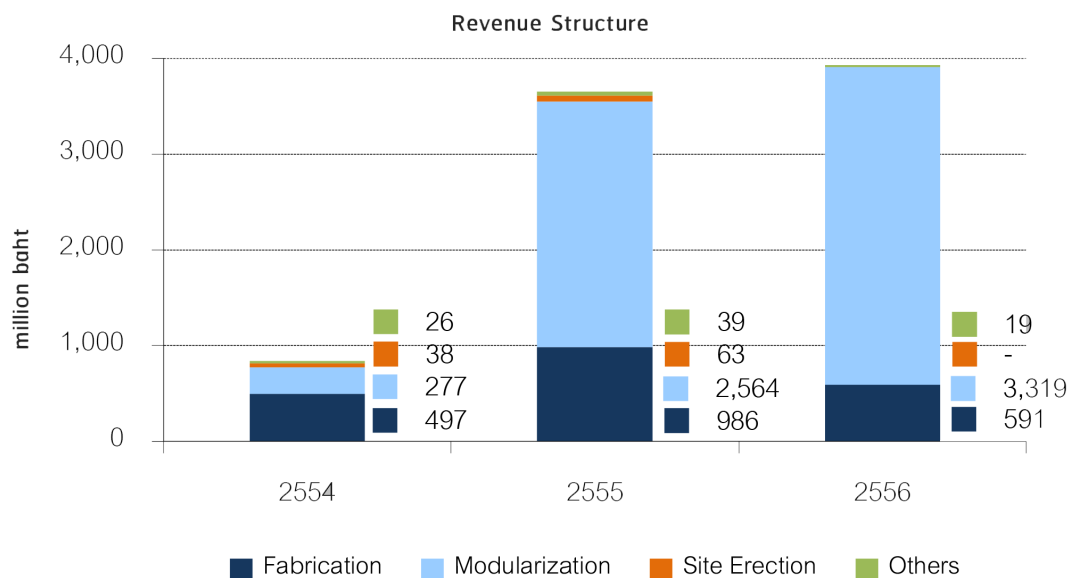
 BJCHI
BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
Financial Highlights



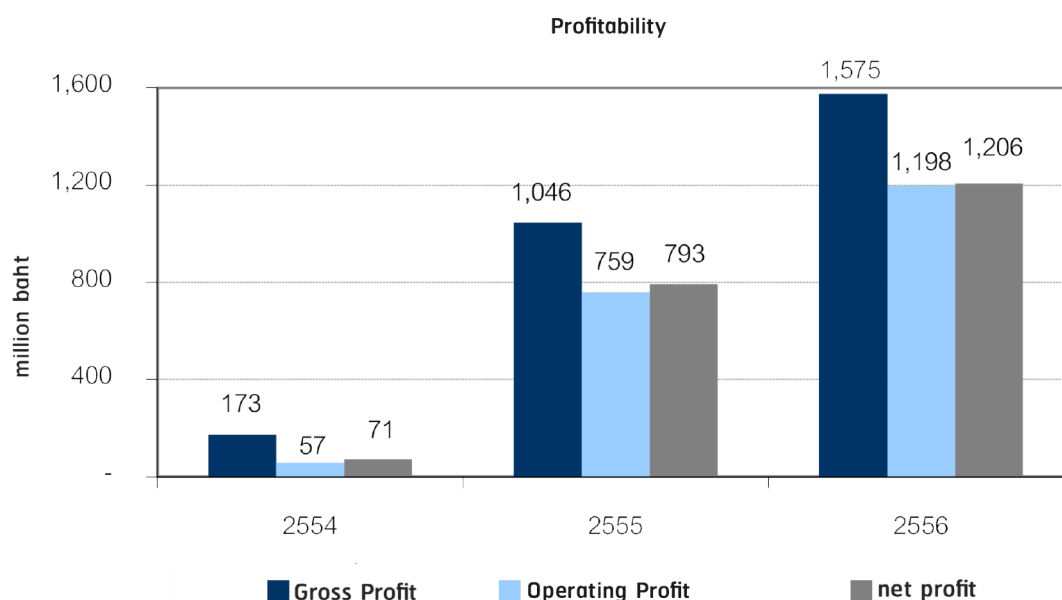
Financial Highlights

	2011	2012 (Restated)	2013
Financial Position (Million Baht)			
Total Assets	985.08	1,882.76	4,836.42
Total Liabilities	421.84	583.72	444.64
Total Shareholders' Equity	563.24	1,299.04	4,391.78
Registered, Paid-up Capital	224.40	224.40	320.00
Financial Performance (Million Baht)			
Contracted Revenues	812.72	3,613.55	3,909.61
Other Income	25.87	39.02	19.28
Total Revenues	838.59	3,652.57	3,928.89
Contracted Cost	639.78	2,567.11	2,334.46
Selling, General & Administrative Expenses	115.36	286.80	318.50
Other Expenses	-	-	57.65
Finance Costs	0.45	0.59	0.81
Tax Expenses	12.09	5.28	11.17
Net Profit	70.91	792.79	1,206.30
Financial Ratio			
Gross Profit Margin (%)	21.28	28.96	40.29
Net Profit Margin (%)	8.46	21.70	30.70
Liquidity Ratio (Times)	1.61	2.31	8.84
Return on Equity (%)	13.37	85.18	42.39
Return on Assets (%)	9.16	55.31	35.91
Debt to Equity Ratio (Times)	0.75	0.45	0.10
Book Value per Share* (Baht)	2.51	5.79	13.72
Earnings per Share* (Baht)	0.41	3.53	4.93

Remark : * Adjust the number of shares by changing par value to 1 Baht per share for the purpose of comparison (the par value in 2011-2012 was 100 Bahtpershare, the Company registered the change of par value from 100 baht per share to 1 baht per share to the Department of Business Development, Ministry of Commerce on May 9, 2013).

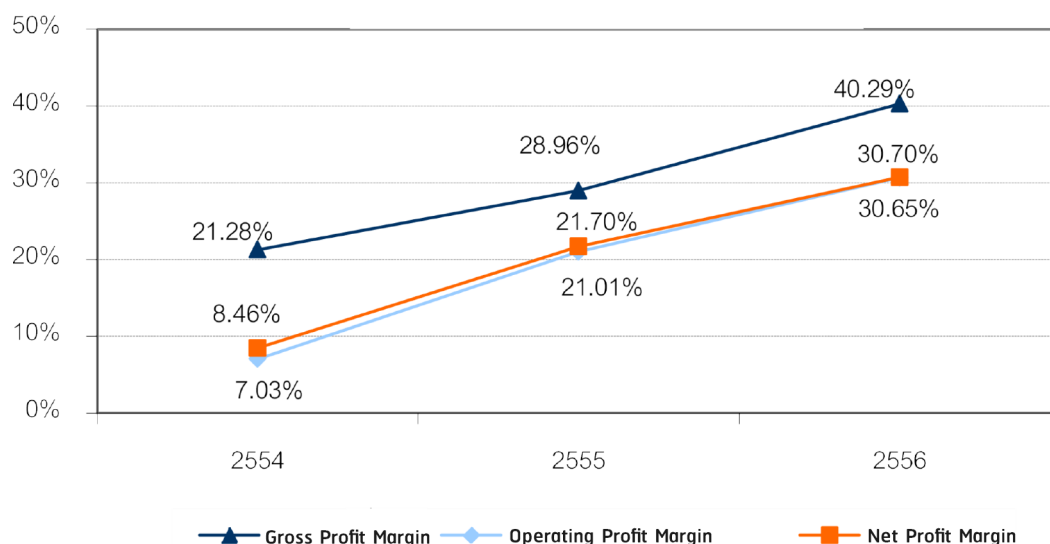


	2011	2012	2013
Fabrication	497.36	985.82	591.11
Modularization	276.90	2,564.26	3,318.50
Site erection	38.46	63.47	-
Others	25.87	39.03	19.28
Total	838.59	3,652.58	3,928.89



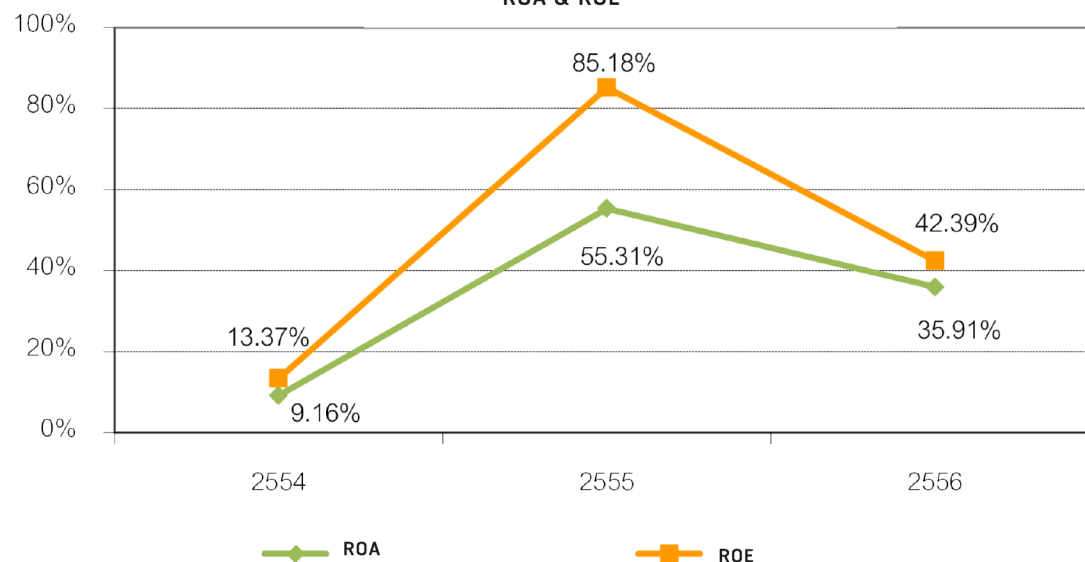
	2011	2012	2013
Gross Profit	172.94	1,046.44	1,575.15
Profit from operations	57.13	759.05	1,198.19
Net profit	70.91	792.79	1,206.30

Profitability Ratios

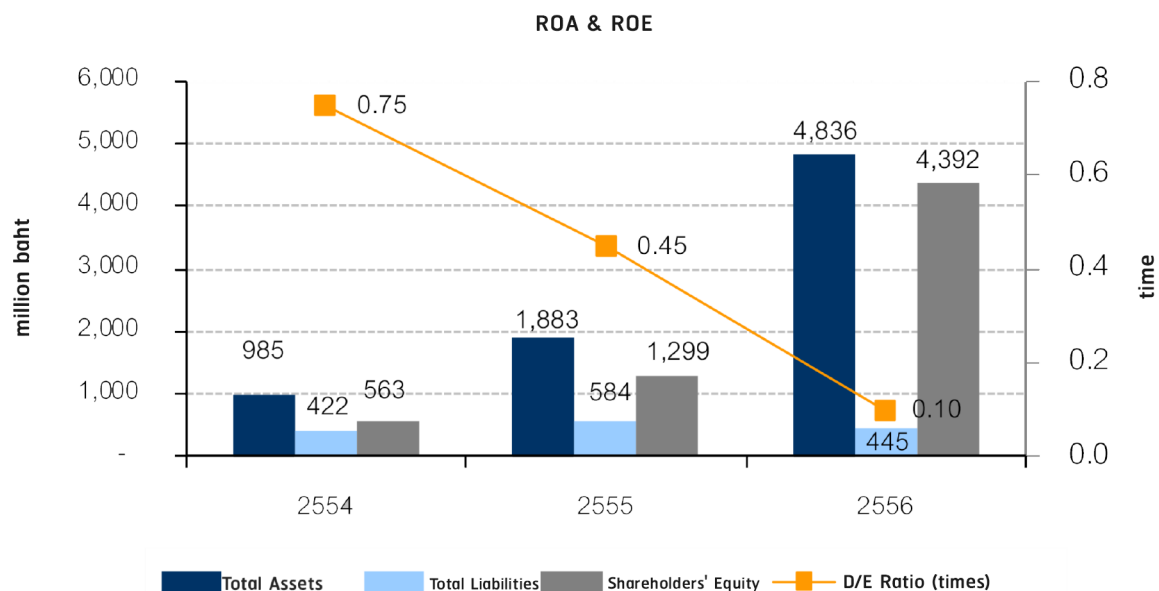


	2011	2012	2013
Gross margin	21.28%	28.96%	40.29%
Gross profit from operations	7.03%	21.01%	30.65%
Net	8.46%	21.70%	30.70%

ROA & ROE



	2011	2012	2013
Return on assets	9.16%	55.31%	35.91%
Return on shareholders' equity	13.37%	85.18%	42.39%



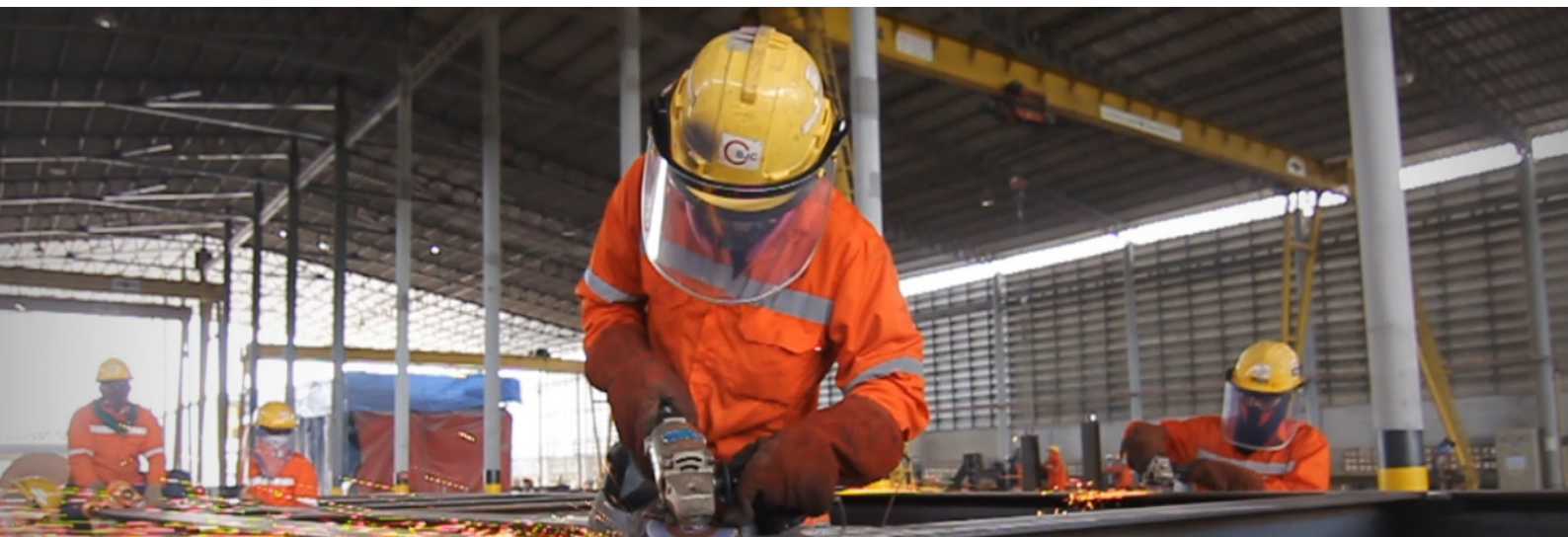
	2011	2012	2013
Total Assets	985.08	1,882.76	4,836.42
liabilities	421.84	583.72	444.64
Equity shareholders	563.24	1,299.04	4,391.78
Debt to Equity (times)	0.75	0.45	0.10





Company name	BJC Heavy Industries Public Company Limited
Types of Business	Provision of Steel fabrication, Modularization, Site erection and Precast concrete services for industry usage
Company Registration Number	0107556000302
Registered Capital	320,000,000 Baht
Paid-up Capital	320,000,000 Baht
Number of Common Shares	320,000,000 Shares
Par Value	1.00 Baht per Share
Address of Headquarters	No. 594 Moo 4, Makhamkoo Sub-district, Nikompattana District, Rayong Province 21180
Telephone Number	0-3889-3709
Facsimile Number	0-3889-3711
Homepage	www.bjc1994.com
E-mail	info@bjc1994.com
Investor Relation	Telephone : 0-3889-3709 E-mail : ir@bjc1994.com
Registrar	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building, Ratchadapisek Road, Klongtoey, Bangkok 10110 Telephone: 0-2229-2800 Facsimile: 0-2359-1259 TSD Call Center: 0 2229-2888 E-mail: TSDCallCenter@set.or.th Website: www.tsd.co.th
Auditor	A.M.T. & Associates 491/27 Silom Plaza 1st floor, Silom Road, Bangruak Bangkok 10500 Telephone: 0-2234-1676, 0-2234-1678, 0-2237-2132 Facsimile: 0-2237-2133 Mrs. Natsarak Sarochanunjeen, Certified Public Accountant Registration No. 4563





BJC Heavy Industries Public Company Limited (the “Company”) was established under the name of “BJC Industrial Limited” on April 19, 1994 by a group of engineers from South Korea. The Company’s major developments are as follow:

- 1994**
 - BJC Industrial Limited was established at 152 Nernpayom Road, Map Ta Phut Sub-district, Muang District, Rayong Province with the initial registered capital of Baht 24 million, engaging in the business of manufacturing of engineering equipment, mainly Fired heater & Reformers.
- 1996**
 - A group of BJC Industrial Limited’s executives acquired the entire issued shares from other founders.
- 2001**
 - The Company relocated its office to 594 Moo 4 Makham Koo Sub-district, Nikompattana District, Rayong Province and changed name to “BJC Construction Industry Limited”
 - The Company expanded services to cover overseas clients via ITT, an Italian contractor that specializes in designing and manufacturing Fired heaters & Reformers for particular use in oil, petrochemical and gas industries.
- 2005**
 - The Company established “BJC Plant Industrial Limited” (“BJCP”), a subsidiary engaging in construction of industrial plants and other general construction, including all types of civil works, with initial registered capital of Baht 30 million which was subsequently increased to Baht 40 million.
- 2006**
 - The Company commenced the fabrication and Modularization services for projects in Australia.
- 2008**
 - The Company acquired BJCP by transferring entire BJCP’s business to the Company and BJCP was dissolved completely on December 23, 2008.
 - On May 14, 2008, the Company invested in a 20% stake of Thermal Engineering Service Limited (“TES”), a provider of engineering design services. TES was closed on February 23, 2012.
 - The Company commenced Site erection service, providing Steel fabrication services that include Site erection service at clients’ location. In 2008, the Company provided Site erection service for a mining project in Democratic Republic of the Congo.
- 2009**
 - The Company expanded its scope of services to include Precast concrete work for industrial use, such as breakwater coast project in Australia.
- 2011**
 - The Company changed its name to “BJC Heavy Industries Limited” on July 22, 2011 to reflect the Company’s nature of business.
- 2013**
 - The Company transformed into a public company limited and changed its name to BJC Heavy Industries Public Company Limited.
 - All common shares of the Company were listed on the Stock Exchange of Thailand on November 28, 2013 through the Initial Public offering (IPO) of 80 million new shares. After the IPO, the Company’s paid-up capital increased to Baht 320 million.



BJCHI

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED

Business Overview



The Company engages in the engineering business by providing services of customized manufacturing and installation of equipment for use in industrial plants. The Company's customer base comprises mainly of overseas customers in various industries, such as energy and petrochemical, mining, power plant and others. The Company's customers are located in countries with investments in the aforementioned industries, including those in Australia, Middle East, Asia, Europe and America. The Company's got overseas works through major business partner and Engineering, Procurement, and Construction "EPC" contractor. Given the quality of its works and ability to manufacture a variety of equipment that meets international-standard, the Company has also been contacted directly by project owners.

The Company fabricates equipment and parts according to designs and terms specified in contracts. The Company manufactures at 142-0-58 rais plant located in Amphur Nikom Pattana, Rayong Province, and delivers to customers at international sea port such as Sattahip Port, Map Ta Phut Port, or Laemchabang Port. Moreover, the Company has rent a plot of land at Sattahip Commercial Port – Navy to assemble and store inventory before delivering to customers. The current maximum production capacity of the steel structure is approximately 2,500 tons per month while maximum capacity of concrete parts is approximately 10,000 cubic meters per month, enabling the Company to take up large-scale works both in the local and overseas markets. To suit demand by customers, the Company could provide Site erection or on-site construction services by fabricating steel equipment at its plant and transport them to be assembled or constructed at the customers' sites by the Company's personnel and work force.

The businesses of the Company can be divided into 4 categories which are

- (1) Steel fabrication
- (2) Fabrication and Modularization
- (3) Site erection, and
- (4) Precast concrete.

Nature of products and services of each business are as follows:

Steel fabrication

The Company fabricates steel into pieces of steel structures by cutting, bending, welding and assembling structural steel, steel pipe, and steel plate, which are main raw production materials. The Company can fabricate steel in accordance with various designs specified by customers. Examples of the Company's past Steel fabrication works are shown below.

• Steel Structure Work

This is the fabrication of steel into big pieces of structure, used as the main structure in large-scale industrial plants such as petroleum refineries, petrochemical plants, power plants and mines. Examples of the Company's steel structure works used in industrial plants include steel structure for plant buildings, pipe-supporting steel structure, and steel structure of conveyor systems.

• Piping Fabrication

The Company provides piping fabrication services, making pipes in specific sizes and shapes to be assembled and installed in piping systems for the production process of industrial plants.

• Heater and Reformer

The Company fabricates steel products into parts of heater (excluding equipment) to be used as reformer in various industries such as petrochemical and mining.

• Storage Tank

The Company fabricates steel products into storage tanks for liquid, gas or chemical substances. The storage tanks are designed to be Non-pressured tanks.

• Pressure Vessel and Pressure Part

Pressure vessels and pressure parts are equipment that can bear pressures in the production process at industrial plants. They are mainly used to contain or as to transmission pipe for liquid or gas chemicals. In the production process, pressure must be controlled in accordance with engineering procedure to ensure no chemical leakage which can cause damages. Therefore, the quality of these products must meet specific safety standard. The pressure vessel will be used in the petrochemical and gas industries.



The major element of Steel fabrication is the ability of supervising engineers and skilled workers in steel structure works that include cutting, bending, drilling and welding, to build structures or products in accordance with designs specified by customers. The Company has teams of experienced supervising engineers including designing engineers, production control engineers, quality control engineers, and teams of certified welding workers. Examples of specific skill standard for welding workers are standard of pressure vessel production, standard of pipes construction for gas in industrial plants or refineries, and standard of weight-bearing construction structure.

In addition, the Company has the Quality Assurance Department to control recruitment of welders with qualification that meet the standard of work in each project as specified by customers. The Department tests skills of welders to ensure their qualifications meet specifications of particular customers before issuing the WQT certificate & Card test to qualified welders and authorize them to perform their tasks for customers. In addition to certain delicate works that are done by skilled technicians, the Company has purchased additional machineries for process that require speed and high precision, such as cutting, to save production time and control precision of works with similar characteristics.

Fabrication and Modularization

Modularization is the evolution of the steel structural fabrication industry which requires advanced engineering design. It needs to take into account the overall components, ranging from structure, piping system, thermal conductivity system, electrical system, security system, machinery and equipment to be installed, size of the structural works, quality of painting works, transportation and installation at the construction site, etc.

The Company constructs and assembles works according to customers' designs. Designs for this type of work focus mainly at steel structure and fabrication of steel products. After assembling parts, piping system, electrical system, machinery and equipment, it will become a huge module that can be used in various industries such as petroleum and natural gas drilling platform for both inland and offshore locations.

The Steel fabrication works are done at the Company's plant. The products will be assembled into big modules at its construction site, partially in Sattahip port to facilitate the shipping of such modules to destinations specified by customers.

Site erection

The Company provides Site erection of steel structure both in Thailand and overseas for various industries such as mining, petroleum refinery, natural gas and power plant, etc. The Company will assign a team of engineers and skilled workers and construction workers suitable for each project to work at the customer's site. The Site erection and construction works are extended from Steel fabrication, completed at the Company's plant, via construction and installation at customers' sites. The Company participates with clients in various stages from planning to procurement of raw materials, fabrication, parts control and inspection, before sending them to assemble, install and construct to meet quality standard and work schedule.

Precast concrete

The Company provides Precast concrete services mainly to customers pursuant to their designs. Upon agreements with customers, they can either provide molds to the Company or letting Company procure molds itself. Examples of the Company's past Precast concrete products are CORE-LOC™ breakwater that prevent wave erosion, Precast concrete panel, pre-stress concrete panel used as a bridge, toll way, jetty, etc.

With over 19 years of extensive experiences in this business, the Company has been accepted by international customers for its outstanding expertise. The Company can produce products in various forms and provide services directly to customers according to their needs, with quality that meets international standard. This is because the Company has a team of skilled engineers with comprehensive understanding of various product structures.

In addition, the Company has a policy to keep developing the production and management systems in order to increase efficiency, improve its ability to response to customers' needs, and bolster confidence of both local and international customers. Examples of these developments are the establishment of quality standard system that paved ways for the Company to be accredited the following certificates ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System), and OHSAS 18001:2007 (Occupational Health and Safety Management System) from TÜV NORD.

In addition, the Company has obtained certificates on various standards from famous international institutions such as manufacturing standard of boiler and pressure vessel from The American Society of Mechanical Engineers (ASME). The Company has also been approved by the U.S.-based National Board of Boiler and Pressure Vessel Inspectors (NBIC) to repair and alter boilers, pressure vessels. These certificates guaranteed that the Company's works have met the quality, occupational health and safety standards and ensured our customers' trust and confidence in the Company's capability, making it an international player in the market.

ISO Certificate Accredited by TÜV NORD



" S ", " U " & " U2 " Certificates Accredited by ASME



" R ", " NB " Certificates Accredited by NBIC



Revenue Structure

The Company produces tailor-made equipment and installation services according to customers' orders. Therefore, the revenue structure may vary depending on customer's orders in any particular period. During 2011-2013, the contracted revenues can be categorized as follow:

Revenue Structure (Unit : Baht Million)	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
1. Steel fabrication	497.36	59.31	985.82	26.99	591.11	15.05
- Steel Structure	276.39	32.96	722.41	19.78	590.81	15.04
- Piping Fabrication	108.66	12.94	210.45	5.76	-	-
- Fired heater & Reformers	108.58	12.96	52.60	1.44	-	-
- Storage Tank	3.73	0.45	0.36	0.01	0.30	0.01
2. Fabrication and Modularization	276.90	33.03	2,564.26	70.20	3,318.50	84.46
3. Precast concrete	38.46	4.58	63.47	1.74	-	-
Total contracted revenues	812.72	96.92	3,613.55	98.93	3,909.61	99.51
Other revenues ¹	25.87	3.08	39.03	1.07	19.28	0.49
Total revenues	838.59	100.00	3,652.58	100.00	3,928.89	100.00

Remark: ¹ Other revenues consist of foreign exchange gain, gain/loss from sale of assets, revenues from sale of scraps and revenues from other services.

Project Locations (Unit : Baht Million)	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
Australia	555.53	68.36	3,267.28	90.42	3,906.88	99.93
Asia	89.15	10.97	83.12	2.30	2.43	0.06
Africa	4.98	0.61	7.54	0.21	0.30	0.01
Europe	-	-	-	-	-	-
America	163.06	20.06	255.61	7.07	-	-
Total	812.72	100.00	3,613.55	100.00	3,909.61	100.00

The Company has two channels of work streams:

EPC Contractor

The Company produces and provides services through EPC contractors, or large-scale contractors (Integrated EPC), mostly design and construction contractors for large industrial plants that take up works from project owners and allocate parts of the project to the Company or other sub-contractors.

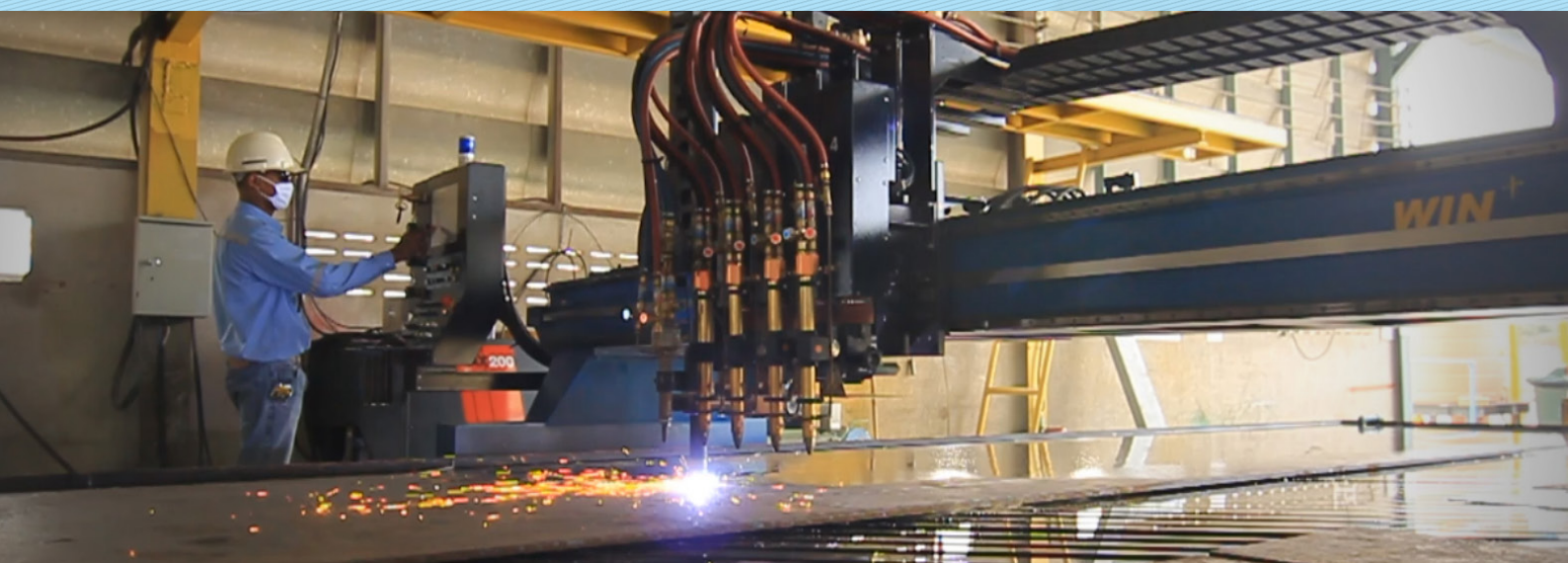
Direct from project owners

The Company supplies directly to project owners such as mines, refineries, gas separation plants, power plants, and petrochemical plants with plans to expand capacity, improve efficiency, or build a new plant. Examples of customers in this group are Australia Pacific LNG Pty Limited, a renowned and leading world-class energy company, and Phu Bia Mining Ltd. The Company enters agreements directly with project owners without involvement of EPC contractors.

Previously, the Company was mainly hired by EPC contractors but after the Company's works have been recognized by project owners, they contact the Company directly. Moreover, our customers also recommend new customers to the Company.

The proportion of these two types of customers varies in each year, depending on work acceptance of the Company. The proportion of the works from these two groups in 2011-2013 can be illustrated as follows:

Work Stream Channels (Unit : Baht Million)	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
EPC contractors	450.41	55.42	1,024.96	28.36	591.14	15.12
Directly from customers	362.31	44.58	2,588.59	71.64	3,318.47	84.88
Total	812.72	100.00	3,613.55	100.00	3,909.61	100.00



Competition Strategy

The Company has set competitive strategies and business policies in order to increase long term competitiveness and continuously improve production capability. Since most projects have high value; therefore, the Company's business operations depend largely on confidence in track record. For more than 19 years, the Company has proven to have provided quality products and good services to customers in timely manners. By emphasizing on these matters, the Company has been entrusted by customers and international recognition eventually led to referral among customers and expansion of the Company's customer base. The Company has set competitive strategies and business policies as follow:



• Quality of products and services that meets standard

The Company emphasizes on the quality of products and services, which must be examined in every steps of the production and installation process to ensure they meet standard and specifications and are safe for users and other relevant parties. Since most of the Company's products are used in the production process of large industrial plants in various industries such as gas, petrochemical, refinery and mining, the quality of products and services is crucial as poor quality products could cause damages to the overall production process.

The Company has been accredited on quality standard by various international institutions. The Company also considers using technology to improve production efficiency to ensure that quality of products and services meet the standard. The Company has modern plants, tools, machineries and equipment and it uses computer system to assist certain production process, such as measuring, cutting and punching, which reduce both working time and errors. The Company has also regularly maintained machineries to ensure its efficiency at all times.

• Variety of products and services

The Company produces and installs equipment used in production process of industrial plants by fabricating steel and assembling in according to customers' designs, which the Company can response well to customers' needs. At present, the Company is able to produce many kinds of products for customers in various industries such as steel structure, pipe assembling and welding, heater structure, boiler structure, container and pressure vessel, etc. In addition, the Company is also able to tailor made large Precast concrete as prescribed by customers' designs.

• Punctual delivery of products and services

The Company emphasizes greatly on punctual delivery of products and services on time as it is an essential factor for customers in choosing fabricators. Therefore, before taking up any assignment from customer, the Company will examine timing needed for ordering raw materials, production, and installation to ensure that it can produce and install its products within the agreed schedule. In case customers need to take delivery prior to the agreed schedule, the Company will adjust the working timetable by increasing working hours.

• Customer base expansion

The Company has a number of existing customers, including EPC contractors and project owners, who have been using the Company's services over the years. The Company plans to expand its market both locally and abroad by following news of investment expansion by its targeted customers, mainly industrial plant operators in the energy, petrochemical, and mining industries. Moreover, the Company can also expand through sub-contracted works from the world's leading EPC contractors. Thanks to proven track record of work quality and punctual delivery, the Company has been well-recognized by potential customers, increasing opportunities to win future works from contractors and project owners. The Company has also hired foreign marketing agents to expand the marketing channel and reach out to potential customers.

In addition, the Company has disseminated preliminary information about its products and services through its website (www.bjc1994.com) for the convenience of its customers in contacting the Company. This website is also used as public relations channels to inform potential customers in Thailand and abroad about the Company's products and services.

• **Investment for capacity expansion**

With continuous investment to improve production efficiency, the Company is equipped with adequate and modern machineries while it also has location and manpower ready. These are important factors for the Company to be chosen to work in large-scale project with high project values by foreign customers.

The Company's plant currently has about 142-0-58 rais total area. The Company can expand its production capacity by adjusting working timetable to suit particular assignment, working at the customers' construction site, or leasing a plant to take up additional works. At present, the Company has rented area within Sattahip Commercial Port – Navy to assemble parts and store products before shipping to them to customers.



• **Personnel Development**

The Company's personnel development policy aims to enhance their knowledge, operational capability, retain knowledgeable and skilled staffs with the Company, and provide career path. The Company also holds regular training courses in specific areas and technical knowledge. It has conducted an annual training plan to arrange appropriate training for each area of works. The Company has also hired external experts to provide knowledge to staffs that need additional training.

• **Relationship management with producers and suppliers of raw materials and other equipment**

To ensure punctual delivery of quality products and services to customers, the Company relies greatly on quality and responsible producers and suppliers of high quality raw materials and equipment. Maintaining good relationship with them will in turn help the Company maintain competitiveness and mitigate risks of not being able to procure machineries, equipment, and construction materials.

• **Appropriateness of plant's location**

Most of the Company's customers are located abroad. Having a facility near key ports like Sattahip Port, Map Ta Phut Port, and Laem Chabang Port provides convenience to the Company in exporting its products. Moreover, the Company's plant is located near industrial estates such as Map Ta Phut and Eastern Industrial Estates, thus limiting costs in transporting products to sites in these estates.

Competition

The Company's main businesses are to manufacture and provide services in Steel fabrication, Modularization, Site erection and Precast concrete. The Company tailors made its products and services according to contracts and purchase orders from customers. Most customers are in the mining, petrochemical, gas, refinery, power plant and wind power, fertilizer, and port industries. Therefore, competition and growth of the Company are in tandem with growth of these industries.

• Local Market

The competition of Steel fabrication and steel structure business in the local market is high as there are many local operators but limited large investment projects. This causes price competition, resulting in low gross profit margin. Historically, the Company's average gross margin was approximately 10-15%. However, the Company currently focuses on export market.



• Overseas Market

The Company's main focus is on the overseas market. It has to compete with fabricators in countries where customers' projects are located and other Asian fabricators such as China, the Philippines, and Indonesia. The competition is mainly on quality of products and services and delivery schedule. However, there could also be price competition in certain projects. At present, the Company focuses on projects in Australia, which the Company has competitive advantage in terms of skilled workers, wages, and quality of works. Despite pricing advantage of some competitors like exporters from China, quality of the Company's products and services and punctual delivery satisfy customers and thus giving the Company competitive advantage.

Industry Trend

• Australia

As the majority of the Company's revenues came from Australia, the growth potential of Australian industries is essential to the Company's growth. Investment value in each of the Australian industries is on an increasing trend. Particularly, investment in petroleum and natural gas sector is projected to surge substantially during 2013-2017 on continuous rise in global energy demand. Therefore, the Company sees opportunities to bid for works in the petroleum and natural gas sector in Australia, which could significantly drive the Company's future revenues.

• Brazil

Besides the Australian market, the Company also plans to further expand its business in Brazil, which is among countries with largest energy demand. Brazil's petroleum production volume is also on the rise while it has ample natural resources, especially petroleum sources in the South where a number of major petroleum companies such as Shell and Chevron are raising their investment in the area. Thus, Brazil is area with growth potential for the Company's business.



Business Risk

Risk from engagement in large projects

During 2011 – 2013, five projects under Laing O'Rourke Australia Construction Pty Limited (LOR) in Australia generated total revenues of approximately Baht 1,755.40 million while Modularization works from the liquefied natural gas exploration and production firm Australia Pacific LNG Pty Limited (APLNG) worth a total of approximately Baht 7,065.67 million. In 2012, revenues from LOR and APLNG projects accounted for 18.84% and 70.96% of total contracted revenues, respectively, while they accounted for 15.05% and 84.88%, respectively in 2013. Therefore, the Company is exposed to risk of engagement in large projects as any payment failure or operations discontinuity of its customers could affect the Company's overall operation. However, the Company has a risk management team responsible for monitoring risks relating to each work contract while most customers are well-known and reliable companies with strong financial positions.

Moreover, contracts agreed with customers usually require installment payment in accordance with progress of works or delivery schedule. Therefore, in case of default on any installment payment under the contract, the Company could mitigate risk by discontinuing works for the customer. So far, the Company has never faced any problem that affected payment by its customers or any incidents that disrupted the projects and thus violated terms of the contracts.

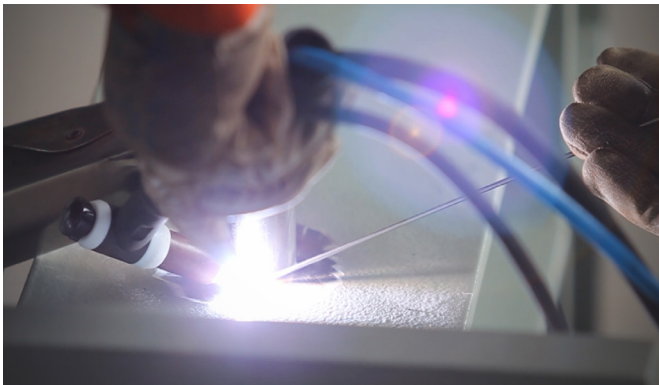
Risk relating to the Company's revenue and operation performance

• Risk of revenue continuity from bidding projects

The Company's revenues depend largely on its capability to win biddings for projects, which are uncertain and could cause revenues volatility. The Company is well aware of such risk and has policy to sustain revenues by emphasizing on offering high quality products at reasonable price as well as punctual delivery of products/services. Moreover, the Company has continuously participated in biddings for new projects in order to maintain revenue stream over the long run.

• Risk relating to change in contract value that could affect profitability

In general, contracts signed by the Company and customers have specified terms of delivery shipment and payment by installment. Prior to the last installment, the Company and customers would negotiate to settle last installment (called "Final Account"), which might affect original project value. The contracts generally set a fixed unit price at the beginning of the project. Any change in total project value could be a result of many reasons such as the change in product design by customers, addition/reduction of works, claims on defective products, and difference between actual work and original estimated work. Therefore, if the conclusion of the final account causes project value to drop significantly, it will adversely affect the project's profitability. However, the variation of project value has so far been less than 10% of initial project value and thus the Company expects no significant impact on profitability of each project.



• **Risk relating to quarterly revenue and profit volatility**

The Company's quarter revenues and profit could be volatile if the Company cannot secure new projects through biddings to offset income from completed projects. In such case, the Company may not have adequate revenues to shoulder fixed costs and eventually booking a loss for the quarter. However, the Company has continuously participated in biddings of projects in various industries and regions in order to enhance its revenue potential in each quarter.

In addition, the change in projects composition could affect gross margin in each quarter. In 2013, gross margin increased to 40.29% from 28.96% in 2012 due to additional works from contract variation order (CVO), which offers more margin than works under the original contract.

• **Risk relating to early termination of contracts**

Premature contract termination by a customer or project owner could occur if the Company failed to comply with terms agreed in the contract. Such case would affect the Company's performance, financial position, and corporate image. However, the Company has policy to emphasize on quality, punctual delivery and strict compliance with contract conditions. Generally, any contracts would also stipulated that in case the company fails to comply with terms in the contract, customers must inform the Company in written notification to provide opportunity for the Company to explain. However, the Company has never suffered any early contract termination so far.

• **Risk relating to reliance on main revenue stream from Australia**

During 2010 – 2013, the Company's main contract revenues were from projects in Australia, regarding to substantial growth in mining and energy industries in the country. However, Australia has its own risk factors, particularly risks associated with natural disaster that could cause cessation or delay of customers' projects. This may affect the Company's continuity of revenues and payment ability of its customers. Therefore, the Company has policy to diversify revenues to other regions and it is currently studying business opportunities in other regions such as South America and Asia.

Besides works in Australia, the Company has just been awarded a new Modularization work project in Brazil worth Baht 1,190 million in the first quarter of 2014 from an EPC contractor, while the project owner of this new contract is Petrobras Netherlands B.V., one of leading energy companies in Brazil.

• **Risk relating to revenue volatility from business cycle of energy and mining industries**

In 2012, the Company's revenues from customers in the natural gas & petrochemical industry accounted for 78.03% of the total contracted revenues while revenues from customers in mining industry accounted for 21.14%. Revenues from these sectors tend to continue dominating the Company's revenue structure. In 2013 revenues from customers in the natural gas industry rose to 84.88% of total contracted revenues while revenues from the mining industry accounted for 15.11% of the total contracted revenues. Should there be any slowdown in growth and investment of the energy and mining industries, the Company's revenue could be adversely affected. Besides these two industries, the Company has capacity and expertise to diversify source of revenue to other industries. In this regard, the Company has expanded its services to produce Precast concrete for coastal breakwater structure as well as providing installation services in other industries such as fertilizer, power plant and port industries. Therefore, the Company can mitigate the risk relating to business cycle of energy and mining industries.



Risk relating to the renewal of land lease agreement

• Leased area in Sattahip Commercial Port-Navy

The Company could face risk regarding the renewal of land lease agreement with its lessor, Sattahip Commercial Port – Navy. Term of the current agreement is for one-year period (from 1 June 2013 to 1 May 2014). The purpose of this lease area is to facilitate Modularization works before exporting and reduce transportation costs. Given the sizable structure of the module, in case that the Company fails to renew the lease contract, it has prepared a back-up plan in case it is unable to renew the lease agreement. The back-up plan can be divided into three options as follows: (1) the Company will move assembling works to the Company's factory area and transport the sizable products to the port for export; (2) the Company may consider purchasing land plots and/or leasing other area near the Sattahip Port; (3) The Company may consider using other ports such as Laem Cha Bang Port, Map Ta Phut Port to export its products. These alternatives ensure that the Company will be able to continue its operations and this risk would not have a material impact to the Company's operations.

• Leased land adjacent to the Company's plant for the construction of galvanizing shop

The Company has leased a plot of land from external parties for 2 years and 6 months (started from November 1, 2012) and the contract can be renewed twice for a period of 2 years and 6 months each, implying total leasable period of 7 years and 6 months. There remains a risk that the Company may not be able to renew the lease agreement in the future. Nevertheless, the Company expected the galvanizing shop to break even within five years and the Company may consider buying the plot if it can get a reasonable price. In case the Company can not renew the land lease agreement, or unable to acquire the plot, it can move equipment and systems in the galvanizing shop to install at other area.



Risk relating Board of Investment (BOI) privilege cancellation

As a foreign company with land ownership right under the BOI privileges, there is risk that the BOI might cancel such privileges and consequently affect the Company's land ownership right and business operations. However, the BOI privilege has no expiry date except the tax incentive. Therefore, the BOI privileges will stay on unless the Company requests that to be cancelled, or the Company goes through a merger/closes down, or the BOI revokes the privileges because the Company can not comply with BOI's conditions. The Company is fully aware of this risk and strictly complies with BOI's conditions to prevent such risk.

Manufacturing Risk

Risk relating to raw material price volatility

The Company engages in fixed-term contracts with Customers, fixing prices of the raw materials at the contracted date. Normally, the fixed unit prices of raw materials cannot be changed unless the contracts mention conditions for price adjustment. Therefore, any significant change in prices of raw materials during the project implementation period could affect the Company's gross profit margin and earnings. Over the past three years, the Company's main raw materials are carbon steel, pipe & fitting, and Modularization equipment, accounted for 34.51%, 29.46% and 23.80% of total main material purchased, respectively. Prices of Carbon steel and pipe & fitting move in tandem with global prices and any change in their prices could affect to the Company's gross profit margin. However, the Company has procurement plan to mitigate risk from raw material price volatility. In case of raw materials import for projects with less than 12 months implementation period, the Company will promptly order the whole amount of raw materials. For projects with more than 12 months implementation period, the Company will gradually procure required raw materials, right from the beginning of the project at around 70%-80% of total raw materials required, according to delivery schedule. In case of domestic raw material procurement for both short- and long-term projects, the Company will order materials around 70-80% of total raw materials required for the whole project/according to delivery schedule right from the beginning of the project to mitigate the risk of raw materials price volatility.

Risk relating to cost overrun

The Company could face the risk of cost overrun in the future, should any change in the actual cost of a project be significantly higher than the cost specified in the contract, resulting in the Company's loss from the project. However, the Company mitigates such risk by factoring in potential volatility of raw material prices as part of the project cost when submitting proposal. For projects with less than 12 months implementation period, the Company will approximately order around 70-80% of the total raw materials required for the whole project. The Company will order around 70-80% of total raw materials required for each delivery schedule for projects with implementation period of over 12 months. The Company also has a policy to negotiate with customers to specify a condition for adjusting price in the contracts in tandem with cost escalation for project with over 12 month implementation period. For example, the APLNG project with implementation period of around 3 years and 6 months, the Company can ask customer to adjust steel material price (in accordance with the market price and applying calculation method specified in the contract) and wage (in accordance with the benchmark wage and applying calculation method specified in the contract but not more than 10%) after the 24th month. Moreover, the Company can further negotiate with customers to adjust the price again after the 36th month.

Risk of the steel material shortage

The Company may have a risk of steel shortage or delayed delivery by suppliers, which could affect its revenues. However, the Company usually examines steel price and volume with suppliers and seeks to get delivery confirmation from them before signing contract with a customer. The Company will immediately order approximately 70-80% of the total steel required for the whole project or for the works to be delivered in the relevant schedule soon as it is confident of being awarded such project. The Company is certain that it can secure adequate steel materials as it has been ordering from many suppliers both in Thailand and abroad, resulting in good relationship with steel suppliers. So far, the Company has never faced any steel material shortage.

Risk relating to the work delay and late delivery

The Company could face a risk of penalty and incremental expenses as a result of the inability to deliver a product to a customer on schedule. Emphasizing on the commitment to deliver product to customers on time, the Company deliberately plans schedule, manages the projects, and closely monitors operations of the project to ensure they are in accordance with the plan. Hence, the Company could check the project's progress and solve any problem promptly. Should there be any incident that may affect the timing of product delivery, such as a delay in receiving design and material specification list from a customer or design adjustment, the Company will negotiate with the customer for delivery schedule extension or coordinate with relevant parties, including the customer, to seek solutions that benefit all parties. For example, the Company may propose the customer to consider changing raw materials to ones that available locally to reduce raw materials delivery time. So far, the Company has no record of delivery delay that causes customers to claim for damages.

Risk relating to compensation from product warranty

The Company has risk of paying compensation from product warranty, which could affect its performance. However, the Company has a policy to focus on high quality products and apply quality assurance by the quality control department in every step of the production. The Company also run product quality test before delivering to customers to ensure that all products meet standard and mitigate risk of compensation payment. In 2012, the Company had additional cost for warranty claim of less than 0.50% of contract revenue while no such cost occurred in 2011 and 2013.

Risk relating to scarcity of specialized personnel and skilled workers

As the nature of the Company's products and services requires specialized personnel, the loss or lack of such personnel will affect the Company's performance and its competitiveness in the future. To mitigate such risk, the Company has set human resources management policy by developing knowledge and capability of its personnel along with maintaining good relationship among staffs. In addition, the Company offers appropriate remuneration to employees in order to mitigate the risk of losing skilled workers. So far, the Company has never faced with personnel scarcity.

Financial Risk

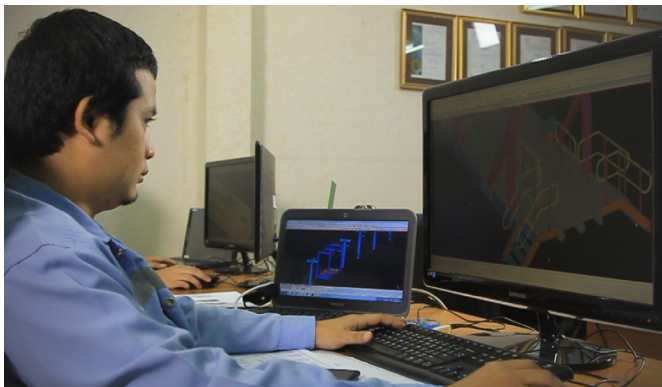
Risk relating to exchange rate

As the Company's main revenues are from foreign-based customers, particularly from Australia, any substantial Baht appreciation could lead to a significant decline in the Company's revenues realization. However, the Company partially offsets risk relating to the Australian Dollar (AUD) exchange rate by imposing the natural hedge concept, using the AUD revenues to settle raw materials costs in AUD. Moreover, the Company has policies to mitigate impact from exchange rate fluctuation by engaging in forward contracts at around 80% of the remainder exposure after the natural hedge. The Company has implemented this policy since the end of June, 2013.

Management Risk

Risk from influence of major shareholder on policy and management

The Lee family owns a combine of 74.44% stake in the Company. Given over 50% ownership of the Lee family, minor shareholders are not capable to gather sufficient vote to weigh on agenda proposed by the major shareholder at the shareholders' meeting. However, the Company has clear and transparent management structure as well as scope of responsibilities of each sub-committee, with participation of independent directors for auditing and balancing any decision so as to build up confidence among the shareholders in the transparency of the Company's business management and operations.





Registered and Paid-Up capital

As at December 31, 2013, the Company had a registered and paid-up capital of Baht 320,000,000, consisting of 320,000,000 ordinary shares with a par value of Baht 1 per share.

As of December 2013, the Company has 2,261 shareholders which the list of top 10 shareholders are as following:

Shareholders' Name	Shareholding	
	Number of Shares	%
1. The Lee Family		
- Mr. Young Jun Lee	90,000,000	28.13
- Mr. Seung Woo Lee	90,000,000	28.13
- Mr. Kyu Young Lee	53,600,000	16.75
- Mrs. Jum Ja Yang	3,150,000	0.98
- Mrs. Hey Lin Sun	500,000	0.15
- Mrs. Ah Young Moon	500,000	0.15
- Mr. Seong Jin Lee	500,000	0.15
Total Lee Family	238,250,000	74.44
2. Mr. Wichai Wachiraphong	12,046,900	3.76
3. Mr. Jakaphan Wachiraphong	5,700,000	1.78
4. Mr. Wichan Wachiraphong	3,350,000	1.05
5. Mr. Somphong Jaipetch	3,000,000	0.94
6. Krung Thai Flexible Fund	2,856,300	0.90
7. Ms. Wannee Boonyasirawat	2,703,000	0.84
8. Mr. Wasan Anurakwongsri	2,702,000	0.84
9. Krungthai-AXA Life Insurance Pcl. by KrungthaiAsset Management Pcl.	2,076,100	0.65
10. Mrs. Jongrak Supornsirikul	1,800,000	0.57
11. Others	45,515,700	14.23
Total	320,000,000	100.00

Dividend Payment Policy

The Company has a policy to pay dividends to the shareholders at the rate of not less than 50% of the net profit based on the separate financial statements after the corporate income tax and after the appropriation of the relevant reserves as required by the applicable laws and as prescribed in the Company's Articles of Association. However, the dividend payment rate may be varied depending upon the necessity and other reasonable factors as the Board deems it appropriate.

The resolution of the Board meeting approving the dividend payment shall be proposed to the meeting of shareholders for further approval, unless it is the interim dividend payment that the Board has a power to approve which shall be reported to the shareholders at the next shareholders' meeting.



Corporate Governance Policy

The Board has adhered to the compliance with the laws, the Company's objectives, Articles of Association and resolutions of the shareholders' meeting, as well as the Principles of Good Corporate Governance of Listed Companies prescribed by the Stock Exchange of Thailand as practice guidelines to provide efficiency in the operations and transparency to investors which would provide confidence in the business operations of the Company to a third-party. The Company then set out a good corporate governance policy which includes 5 major principles as follows:

Principle 1 : Rights of Shareholders

Principle 2 : Equitable Treatment of Shareholders

Principle 3 : Role of Stakeholders

Principle 4 : Disclosure and Transparency

Principle 5 : Responsibilities of the Board of Directors



Principle 1: Rights of Shareholders

The Company has realized and prioritized the fundamental rights of shareholders, as investors in the Company's securities and owners of the Company, e.g. rights to purchase, sell or transfer the securities held, rights to receive profit sharing from the Company, rights to obtain sufficient information, rights relating to the shareholders' meeting, rights to express opinion and participate in decision making on material matters such as distribution of dividends, appointment or removal of directors, appointment of auditor, material transactions that may have impact on the Company's business operations or amendment to the Memorandum of Association and Articles of Association of the Company.

The Company has performed the followings to promote and facilitate the exercise of the shareholders' rights:

(1) The Company shall disseminate a notice of the shareholders' meeting prescribing agenda of the meeting to shareholders not less than 7 days prior to the date of meeting or any other period as required the relevant laws or regulations. Such notice to the meeting shall specify opinions of the Board with respect to each meeting agenda as well as sufficient information to provide shareholders with the opportunity to assess the information in advance. The Company will also make available such information on the Company's website prior to the date of meeting;

(2) In the event that any shareholder cannot attend the meeting, the Company will provide the opportunity to such shareholder to appoint independent directors or any third party as his or her proxy to attend the meeting on his or her behalf by using the proxy form enclosed with the notice to the meeting;

(3) The Company has a policy to facilitate attendance of the shareholders by choosing an accessible venue for the shareholders' meeting. A map of the meeting venue will also be enclosed in the notice to the meeting. Additionally, an appropriate time and day will be considered, with adequate time being allocated for the meeting;

(4) Prior to the date of the shareholders' meeting, the Company will allow shareholders to send opinions, suggestions or questions to the Company in advance in accordance with the criteria prescribed by the Company which shall be made available on the Company's website;

(5) At the shareholders' meeting, the Company will allow shareholders to express opinions, suggestions or ask questions on each meeting agenda freely and equitably before casting votes on each meeting agenda. In addition, the directors and relevant executives will attend the shareholders' meeting in order to answer the questions raised therein;

(6) The Company will facilitate the use of ballot cards for each meeting agenda to promote transparency and accountability;

(7) The Company will provide an independent third party to assist in vote counting on each meeting agenda; and

(8) After the shareholders' meeting, the Company will prepare minutes of the shareholders' meeting which completely and correctly record all material information, including major questions and comments therein. The minutes of the shareholders' meeting will be made available to shareholders for verification. The Company also retains a video recording of the meeting for safekeeping and reference. Additionally, the Company will publish the resolution on each meeting agenda as well as the minutes of the shareholders' meeting on the Company's website for shareholders review.

Principle 2: Equitable Treatment of Shareholders

The Company has a policy to provide equitable treatment to all shareholders, regardless whether they are major shareholders, minority shareholders, executive shareholders and non-executive shareholders, Thai and foreign shareholders, as follows:

(1) The Company will announce the time schedule of the shareholders' meeting as well as the relevant meeting agenda to the Stock Exchange of Thailand and will make the same available on the Company's website, at least 28 days prior to the date of the shareholders' meeting. Additionally, the Company will prepare and make available the notice to the shareholders' meeting both in Thai and English language on the Company's website;

(2) The Company will facilitate procedures for minority shareholders to nominate candidates for directorship or propose additional agenda prior to a shareholders' meeting. The Company will make available a clear procedure for minority shareholders to nominate candidates for directorship and to include additional agenda proposed by minority shareholders to be considered at the meeting;

(3) At each shareholders' meeting, the Company will provide equal opportunity to all shareholders. Prior to the commencement of the meeting, the chairman of the meeting will announce the vote casting and counting procedures for each item on the agenda. During the meeting, each shareholder will be provided equal opportunity to express opinions, suggest or raise questions in the meeting within appropriate time. The chairman of the meeting will run the meeting in accordance with the meeting agenda and will not allow the executives to propose additional agenda that was not mentioned in the notice to the shareholders' meeting to be considered at the meeting, if not necessary, particularly significant meeting agenda that shareholders may need sufficient time to study the relevant information to make an informed decision;

(4) During the election of directors, the Company will facilitate shareholders to vote in order to elect each director individually;

(5) A director who has conflicts of interest on any meeting agenda shall report such conflicts of interest at least before the meeting considers the relevant meeting agenda. Such conflicts of interest will be recorded in the minutes of the Board meeting. Additionally, the director who has significant conflicts of interest in the manner that prevents him or her to express independent opinion must leave the meeting when the item is being deliberated; and

(6) The Company provides written guidelines to keep and prevent the use of inside information. The persons or divisions that obtain inside information on duty are prohibited from disclosing such information to other persons or divisions that are not relevant. Any person who discloses or uses such information either for his or her own benefits or for others' benefits or dealing with transactions that he/she may have conflict of interest is considered committing a serious offence and subject to disciplinary sanctions. In addition, the Company requires all directors and executives to report on his or her securities holding by regularly submitting their securities holding report to the Corporate Secretary which will be disclosed on the Company's annual report.

Principle 3: Role of Stakeholders

The Company has prioritized the rights of each group of stakeholders: internal stakeholders, which include shareholders and employees of the Company, external stakeholders, which include customers, business partners. The Company has realized that support and comments from every group of stakeholders would enhance the Company's business operations and development. Therefore, the Company will comply with the relevant laws and regulations to protect the rights of the stakeholders. In addition, in operating the Company's business, the Company takes into account the rights of the stakeholders, based on the following guidelines:

Shareholders : The Company operates business with transparency and efficiency. The Company intends to operate the business in order to achieve good operating results and to grow with sustainability so as to maximize long-term benefits to shareholders. The Company also discloses reliable information to the shareholders with transparency.

Employees : The Company treats all employees equitably and fairly and provides suitable remuneration. In addition, the Company gives priority to regular development of skill, knowledge, ability and capability of the employees, such as to provide trainings and seminars to all employees, and to retain the talent employees to work for the Company. The Company also provides guidelines to prevent frauds and corruptions and to educate employees to comply with the relevant laws and regulations by the employees, such as prohibition to use inside information.

Business partners : The Company has a procedure for selecting business partners by having them compete based on equal information and will fairly select business partners based on the business partner assessment and selection criteria of the Company. The Company also provides contract terms that are suitable and fair to the Company and counterparty and has a monitoring system to ensure the strict compliance with the contract terms and the prevention of frauds in every step of the supply process. The Company has a policy to purchase goods from business partners in accordance with the trading conditions and to strictly comply with the contract terms that the Company enters into with the business partners.

Customers : The Company holds responsibility to customers by preserving quality and standards of its goods and services and to respond to customers' demands as much as possible. Additionally, the Company provides after sales service, correct information relating to goods and services of the Company, and channel to allow customers to report on defects or inappropriate services so that the Company may immediately fix the problems relating to the goods and services.

Creditors : The Company will comply with the contract terms that the Company may have to the creditors, particularly in relation to repayment of principal and interest and retention of security asset.

Competitors : The Company competes with competitors within the framework of healthy competition, business ethics and legal framework as well as supports and promotes free and fair competition policy.

Society and public : The Company cares and gives priority to safety of society, environment and quality of life in the community in the areas where the Company's business operations are located. The Company also educates the Company's employees to realize and hold responsibility to environment and society, as well as to comply with the relevant laws and regulations. The Company is determined to partake in various activities to build and preserve the environment and society as well as to support the local cultures in the area where the Company's business operations are located.

Any stakeholder may make inquiries, raise complaints or provide information on any violation of law, inaccuracy in the financial reports, defective internal control system or violation of business ethics of the Company to any independent director or member of the Audit Committee. The complaints and information received will be kept confidential. The independent director or member of the Audit Committee will then direct an investigation into such matter, seek a solution thereto (if possible) and deliver a report to the Board.



Principle 4: Disclosure and Transparency

(1) The Board shall ensure that it discloses financial information, general information and other information that may have impact on the securities price (all of which are important to decision making process of investors and stakeholders of the Company) in a correct, complete, sufficient and timely fashion in accordance with rules on disclosure of the Securities and Exchange Commission and the Stock Exchange of Thailand;

(2) The Company assigns investor relations officers to contact investors and shareholders. The Company regularly holds meetings to analyze the Company's performance and disseminate information such as financial and general information to shareholders, securities analysts, credit rating companies and relevant authorities through various channels such as reports submitted to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission as well as the Company's website. In addition, the Company also regularly discloses information both in the Thai and English language on the Company's website for its shareholders' information. The information on the Company's website is regularly updated and contains the Company's vision, mission statement, financial statements, public relations news, annual reports and information on the Company's structure and executives, as well as the shareholding structure of the Company, major shareholders, notices to the meeting, constitutional documents of the Company and charters of the Company;

(3) The Company give priority to the financial statements and financial reports as appeared on the annual report. The Audit Committee will review the quality of the Company's financial reports, internal control systems as well as sufficiency of the disclosure on material information in the notes to the financial statements and report the same to the Board for acknowledgement. The Company will also provide a report on the Board's responsibility to the financial statements in parallel with the report of the auditor in the annual report. In addition, the Board supports to provide " the management discussion and analysis" to support the disclosure of financial statements every quarter;

(4) The Company will disclose information with regard to each director and their respective roles and duties, the various committees, the number of meetings held, the attendance records of each director in the past year, comments in performing their duties including the continuous professional trainings and development, nature and details of remuneration of directors and high-level executives of the Company and its subsidiaries (if any) in the Company's annual report and annual registration statement;

(5) The Company will disclose the audit fees and other service fees for the services rendered by the auditor; and

(6) The Company will report on a summary of the policies relating to corporate governance, business ethics, risk management, environment and society and the compliance with such policies, including the reasons if cannot comply with such policies, through various channel, e.g. annual report and the Company's website.

Principle 5: Responsibility of the Board of Directors

1. Structure of the Board and Sub-committees

The Board consists of individuals with appropriate knowledge, ability and experience that would facilitate the benefits to the Company. The Board is responsible for prescribing the policies and overview of the organization. The Board is also responsible for overseeing, audit and assessment of the Company's business operations to ensure that it is in accordance with the plan.

At present, the Board consists of 9 directors, 5 of which are executive directors and the other 4 are non-executive directors. The 4 non-executive directors, more than one-third of the total number of the directors, are qualified as independent directors. The independent directors would create the balance in considering and approving matters at the Board meeting. The term of directorship is no more than 3 years as prescribed by the applicable law. The independent directors may not hold office longer than 9 consecutive years, unless there is a reason and necessity as the Board deems appropriate. In addition, a director or executive of the Company may also be a director or executive of the associated company of the Company or other legal entities, subject to the provisions of the Securities and Exchange Commission, the Stock Exchange of Thailand and other competent authorities, provided that the holding of position in other companies must be reported to the Board for acknowledgement.

In addition, the Board appoints the following sub-committees to assist the Board in governing the Company:

- **Executive Committee** consists of 6 members. The Executive Committee has duties to assist the Board in managing the business operations of the Company in accordance with the policies, plan, Articles of Association and other orders including the prescribed target subject to the scope as assigned by the Board.

- **Audit Committee** consists of 3 members. The Audit Committee has duties to assist the Board in overseeing and auditing the business operations, internal control, risk management and corporate governance, including preparing the financial reports to ensure the transparency and reliability of the business operations and information disclosure of the Company.

- **Risk Management Committee** consists of 6 members. The Risk Management Committee has duties to assist the Board in determining the policies to manage organizational risks in all respects and procuring appropriate risk management mechanisms to minimize impacts that may have on the business operations of the Company.

The Chairman of the Board and the Chairman of the Executive Committee shall not be the same person in order to separate the duties to determine the overall policies from the duties to oversee the day-to-day business operations. The Chairman of the Board shall be appointed from the independent directors of the Company.

In addition, the Company has a Corporate Secretary to deal with matters relating to the Board meetings and the shareholders' meetings, to support the Board by providing preliminary advice on provisions of the laws and regulations relating to the director's duties and to co-ordinate to ensure the compliance with the Board's resolutions.

2. Roles, duties and responsibility of the Board

The Board holds responsibility relating to business operations of the Company to the shareholders. The Board also has duties to determine policies and business direction of the Company as well as to oversee the management to be in accordance with the target and direction for the long-term benefits of shareholders, subject to the legal framework and business ethics, by taking into account interests of all groups of stakeholder. Details of duties of the Board are prescribed in the Charter of the Board.

(1) Policy on Corporate Governance

The Company provides a written corporate governance policy to be proposed to the Board for approval. The objective of the written corporate governance policy is to provide the directors, executives and employees with guidelines in complying with such policy. The Board will review such policy on an annual basis.

(2) Business Ethics

The Company is intended to operate business with transparency, moral, responsibility to the stakeholders, society and environment. The Company makes available the written business ethics to be used as practice guidelines for the directors, executives and employees, which govern the following aspects:

- (a) business ethics governing responsibility to shareholders;
- (b) business ethics governing relationship with customers;
- (c) business ethics governing relationship with business partners, competitors and creditors;
- (d) business ethics governing responsibility to employees; and
- (e) business ethics governing responsibility to the society and environment.

The Company will announce the business ethics to all employees and require strict compliance.

(3) Conflicts of Interest

The Company has a policy to mitigate conflicts of interest with care, honesty, reasonable, independent and subject to business ethics framework for interests of the Company. Any director who have or may have conflicts of interest in respect of any item on the agenda shall disclose his and her own conflicts of interest or the conflicts of interest of his/her concert party to the Company and shall abstain from voting and must leave the meeting when the item is being deliberated.

The Company has policies on related party transactions and conflicts of interest which are in line with the applicable laws and the rules of the Securities and Exchange Commission and the Stock Exchange of Thailand. Such transactions will be disclosed in the Company's annual report and annual registration statement (Form 56-1).

(4) Internal Control

The internal control system is for monitoring and controlling the internal operations at the management and operational levels. The Company forms the Internal Audit Unit to assess adequacy of the internal control systems and to report to the Audit Committee in accordance with the internal audit plan.

(5) Risk Management

The Company forms the Risk Management Committee to assist the Board in determining the policies to manage organizational risks in all respects and procuring appropriate risk management systems or mechanisms to minimize impacts that may have on the business operations of the Company.

(6) Report of the Board of Directors

The Audit Committee has duties to review the financial statements of the Company. The Company's accounting officials and the auditor shall convene a meeting and propose the financial report to the Board every quarter. The Board shall be responsible for the consolidated financial statements of the Company and its subsidiaries as well as any financial information that appear in the Company's annual report.

3. Meeting of the Board and Self-Assessment

The Board shall hold a meeting at least once every quarter and hold additional special meetings as and when necessary. The agenda for the meeting shall be clearly specified in advance and the agenda to consider the operating results will always be included. The notice of the meeting shall be given to the directors at least 7 days prior to the date of such meeting to provide sufficient time to the directors to assess the information in advance, unless it is the urgent matter. Records of each meeting must be made in writing and kept. The minutes shall be certified by the Board and be made available for reference and examination. The relevant executives and related persons should attend the Board meeting to provide information and details to allow the meeting to make an informed decision.

At a Board meeting, a resolution shall be passed by a majority of votes. Each director shall have one vote. Directors who have conflicts of interest in respect of any item on the agenda shall abstain from voting and must leave the meeting when the item is being deliberated. In the event of a tie vote, the person presiding over the meeting shall have a casting vote.

In addition, the Board shall assess their own performance for the previous year on an annual basis in order to improve their work efficiency. Criteria to be discussed at the meeting shall be clearly defined in advance before the assessment. The information obtained from the assessment will be proposed to the meeting. The overall assessment criteria, process and results will be disclosed in the Company's annual report.

4. Remuneration

The remuneration of directors can be in the form of meeting allowance, salary, travelling and accommodation expenses. The total amount of the director's remuneration must be within the average range comparing with other companies' in the same industry and must be suitable taking into account the duties and responsibility of the directors. The executives will be eligible for salary and annual bonus subject to the Company's performance. The directors' and executives' annual remunerations shall not be too high when compare to the average directors' and executives' remunerations of listed companies on the Stock Exchange of Thailand for the best interest of shareholders.

The remuneration of directors requires the approval from the annual general meeting of shareholders of the Company.

5. Development Scheme for Directors and Executives

The Board has a policy to promote and facilitate the provision of trainings and education to persons involving in corporate governance of the Company, e.g. directors, members of the Audit Committee, executives and the Corporate Secretary to ensure the continuous improvement of the Company's operations. The trainings and educations can be done internally within the Company or by using services from external institutions. In the event there is a change of directors or if new directors are appointed, the management will provide the new directors with documents and information which will benefit them in performing roles and duties as the Company's directors and introduce them to the nature of the Company's business.

The Board has a policy to rotate executives and employees, based on the nature of work and timing, to work in the positions that are suitable to their skills.



The Board Structure

Board of Directors

Term of Directorship

At each annual general meeting of shareholders, one-third of all the present directors or, if their number is not a multiple of three, the number of directors nearest to one-third of the total board composition shall be Retired from office. A retiring director is eligible for re-election. The directors retiring from office in the first and second years after the Company's registration shall be selected by means of drawing lots. In subsequent years, the director who have been served directorship longest in the office shall be retired.

Scope of Power, Duties and Responsibility of the Board

The Board of Directors has duties to represent shareholders and has power, duties and responsibility in accordance with the laws, the Company's Articles of Association and objectives, as well as resolutions of the shareholders' meetings, including the following:

(1) to perform their duties and to oversee the Company's operations in accordance with the laws, the Company's objectives and Articles of Association, and resolutions of Board meetings and shareholders' meetings with responsibility, care and honesty to protect the interests of the Company;

(2) to determine the vision, business strategies, business direction, business policies, target, business plan, budget, management structure and authority limits of the Company and its subsidiaries as proposed by the Management, and to oversee management and operating results of the Management or other designated persons to be in line with the prescribed policies in an effective and efficient manner and to maximize the highest value for the Company and its shareholders;

(3) to continuously and regularly monitor and assess the Management's performance to be in line with the strategies, operational plan and budget, and to ensure that the remuneration mechanisms for executives are appropriate;

(4) to determine framework and policy for determining salary, salary adjustment, bonus, remunerations and benefits of high-level executives;

(5) to ensure that the Company and its subsidiaries adopt an appropriate and efficient accounting system, and to ensure that it has reliable financial reporting and accounting systems, including sufficient and appropriate internal control and internal audit systems;

(6) to consider and approve the acquisition or disposition of assets (in cases the value of the transaction does not require an approval from the shareholders' meeting), investment in new businesses and any operational matters as required by relevant laws, notifications and regulations;

(7) to consider and/or to give opinion on the related-party transactions (in cases the value of the transaction does not require an approval from the shareholders' meeting) of the Company and its subsidiaries to comply with the relevant laws, notifications and regulations;

(8) to consider and approve the interim dividend payment to shareholders of the Company;

(9) to review the risk management procedures and policies and to monitor the operating results with respect to the risk management;

(10) to prevent conflicts of interests among stakeholders of the Company and its subsidiaries. In this regards, a director shall report to the Company, without delay, if he/she has any conflict of interests in a transaction to be entered into by the Company, or acquires or disposes of shares in the Company or its subsidiaries;

(11) to make available a corporate governance policy and to efficiently adopt such policy;

(12) to appoint subcommittees e.g. the Audit Committee, the Executive Committee, the Risk Management Committee and/or any other subcommittees to support and enhance the performance of the Board;

(13) to appoint the Corporate Secretary to assist the Board in various matters to ensure that the businesses of the Company operate in compliance with the applicable laws and regulations;

(14) to seek professional advice from third-party organizations if it is necessary to make a proper decision;

(15) to prepare an annual report and to be responsible for the preparation and disclosure of the financial statements presenting the financial standing and operating results of the Company in the preceding year to be proposed to the shareholders' meeting for further approval;

(16) to hold an annual general meeting of shareholders within 4 months from the end of the Company's accounting period;

(17) to consider and approval various matters by fairly taking into account interests of shareholders and all groups of stakeholders; and

(18) to designate any one or more directors or any other persons to perform any task on behalf of the Board.



Audit Committee

Term of Membership of the Audit Committee

The term of membership for the members of the Audit Committee membership shall be in line with the term of his/her directorship of the Company. A retiring member of the Audit Committee is eligible for re-election. In the case that any member of the Audit Committee vacates the office at or prior to the end of the term which renders the number of the Audit Committee members to be less than 3 persons, the Board meeting or the shareholders' meeting should immediately appoint a new member of the Audit Committee or at least within 3 months to ensure the continuity of the Audit Committee's performance.

Scope of Power, Duties and Responsibility of the Audit Committee

(1) to review and ensure that the Company provides a sufficient and accurate report of its financial statements;

(2) to review and ensure that the Company has appropriate and efficient internal control and internal audit systems, to consider the independence of the Internal Audit Unit, and to approve the appointment, transfer and termination of employment of the Chief of Internal Audit Unit or any other units responsible for internal audit;

(3) to review and ensure that the Company complies with securities and exchange laws, regulations of the Stock Exchange of Thailand and the laws relating to the Company's business;

(4) to consider, recruit and nominate an independent third-party to be the Company's auditor and to determine the auditor's fee, as well as to hold at least one meeting per annum with the auditor without the participation of the Management;

(5) to consider and ensure that the Company's related party transactions or transactions that may result in conflicts of interest are in compliance with the securities and exchange laws and the regulations of the Stock Exchange of Thailand, or any other relevant laws and to ensure that such transactions are reasonable and in the best interest of the Company;

(6) to prepare the Audit Committee's report which will be disclosed in the Company's annual report. The report must be signed by the Chairman of the Audit Committee and shall contain at least the following details:

(a) opinion on the accuracy, completeness and reliability of the Company's financial report;

(b) opinion on the sufficiency of the Company's internal control system;

(c) opinion on compliance with securities and exchange laws, regulations of the Stock Exchange of Thailand and the laws relating to the Company's business;

(d) opinion on suitability of the auditor;

(e) opinion on transactions which may result in conflicts of interest;

(f) number of meetings held by the Audit Committee and the attendance records of each member of the Audit Committee;

(g) comments or overall remarks obtained by the Audit Committee from the performance under the Charter; and

(h) other matters of which the shareholders and general investors should be informed, according to their duties and responsibilities as assigned by the Board;

(7) to review the efficiency and suitability of the risk management of the Company;

(8) to review and propose any amendment to the scope of power, duties and responsibility of the Board to reflect the current situation;

(9) to audit and investigate related persons under the authority of the Audit Committee and to engage professional specialists to assist in the audit and investigation;

(10) if the Audit Committee, in the course of their duties, finds or is suspicious that one of the following transactions or actions which has significantly affected the Company's financial standing and operating results has occurred, the Audit Committee shall report that transaction or action to the Board such that any rectification will be made within the time that the Audit Committee deems appropriate:

(a) a transaction resulting in a conflict of interest;

(b) fraud or any major irregularity or defect in the Company's internal control system; or

(c) a violation of securities and exchange laws, regulations of the Stock Exchange of Thailand and the laws relating to the Company's business, if the Board or Management fails to rectify the problem within the time as specified above, any member of the Audit Committee may report to the Office of the Securities and Exchange Commission or the Stock Exchange of Thailand that a transaction or action as specified above has occurred;

(11) to give opinion to the Management on the appointment, termination of employment, budget and the manpower of the Internal Audit Unit;

(12) to prepare the report on its operations and submit it to the Board at least once a year; and

(13) to perform any other act as assigned by the Board with the Audit Committee's approval.

The Chairman of the Audit Committee shall report the resolutions of the Audit Committee's meetings to the Board in the next Board meeting for acknowledgement.

Executive Committee

Term of Membership of Executive Committee

The term of membership of the members of the Executive Committee is 3 years and shall be in line with the term of his/her directorship of the Company (in case such member of the Executive Committee is also a member of the Board). A retiring member of the Executive Committee is eligible for re-election.

In the case that any member of the Executive Committee vacates the office at or prior to the end of the term which renders the number of the Executive Committee members to be less than 5 persons, the Board shall immediately appoint a new member of the Executive Committee or at least within 3 months to ensure the continuity of the Executive Committee's performance.

Scope of Power, Duties and Responsibility of the Executive Committee

(1) to prepare and determine the policies, business direction, strategies, business plan, budget, management structure and authority limits to present to the Board for approval, to perform other acts as assigned by the Board, including to oversee and monitor such affairs to ensure the effectiveness and efficiency;

(2) to manage and oversee the general administrative affairs of the Company;

(3) to consider and approve the execution of contracts and/or transactions relating to the ordinary course of business of the Company (e.g. sale and purchase, investment, joint venture with a third party for the ordinary course of business operation and for the interest of the Company in accordance with the Company's objectives), provided that the value of the transaction shall not exceed the amount specified in the Authority Limits;

(4) to consider and approve the borrowing and taking credit facilities from financial institutions, granting of loans, as well as pledging, mortgaging or providing guarantees by the Company and its subsidiaries, provided that the liabilities incurred shall not exceed the amount specified in the Authority Limits;

(5) to appoint professional advisors in various areas if it is necessary to the Company's operations subject to the annual budget approved by the Board;

(6) to determine framework and policy for determining salary, salary adjustment, bonus, remunerations and benefits of employees;

(7) to perform any other act as assigned by the Board or in accordance with the policies prescribed by the Board; and

(8) to delegate power to any one or more persons to conduct any affair on behalf of the Executive Committee.

In this regards, the delegation of power, duties and responsibility of the Executive Committee shall not result in the authorization or sub-authorization that would allow the Executive Committee or its grantee to approve transactions in which the Executive Committee or its grantee, or any person who may have any conflict of interest (as defined in the notifications of the Securities and Exchange Commission or the Capital Market Supervisory Board) or may benefit in any manner which may give rise to a conflict with the Company or its subsidiaries, except where the approval of such transaction is consistent with the policy and criteria approved at a Board meeting.

The Chairman of the Executive Committee shall report resolutions of Executive Committee's meetings to the Board in the next Board meeting for acknowledgement.

Risk Management Committee

Term of Membership of Risk Management Committee

The term of membership for the members of the Risk Management Committee is 3 years and shall be in line with the term of his/her directorship of the Company (in case such member of the Risk Management Committee is also a member of the Board). A retiring member of the Risk Management Committee is eligible for re-election.

In the case that any member of the Risk Management Committee vacates the office at or prior to the end of the term which renders the number of the Risk Management Committee members to be less than 3 persons, the Board shall immediately appoint the new member of the Risk Management Committee or at least within 3 months to ensure the continuity of the Risk Management Committee's performance.

Scope of Power, Duties, and Responsibility of the Risk Management Committee

(1) To review the risks that the Company currently encounters or anticipates to encounter which may have an impact on the Company, including to determine external and internal risk management policy to cover at least the following 4 aspects:

- (a) Financial risk;
- (b) Operational risk;
- (c) Strategic risk; and
- (d) Compliance risk;

(2) To determine strategies, structure and resources to be used in managing risks of the organization to be in line with the risk management policies, strategies and business direction of the Company;

(3) To determine financial limits or type of activities based on the risks involved, as criteria to be used in the business operations and to present to the Board for approval;

(4) To oversee and review the risk management policies, strategies and practices to ensure that the available mechanisms are properly used;

(5) To appoint working teams to assess and monitor the risks throughout the organization; and

(6) To perform any other act as assigned by the Board.

The Chairman of the Risk Management Committee or designated persons shall report resolutions of the Risk Management Committee's meetings to the Audit Committee for consideration before proposing to the Board every quarter for acknowledgement.



Nomination of Directors and Executives

The Company does not have the Nomination and Remuneration Committee. However, the persons who will be nominated to be directors or executives of the Company must have all qualifications as prescribed under Section 68 of the Public Limited Companies Act B.E. 2535 (A.D. 1992) (as amended) and must not have characters prohibited under the Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 Re: Application for and Approval of Offer for Sale of Newly Issued Shares dated December 15, 2008 (as amended). The Company has prescribed the criteria for selecting and appointing the directors and executives as follows:

Board of Directors

The composition of the Board is as follows:

- (1) a director may or may not be a shareholder of the Company;
- (2) the number of directors shall be determined by a shareholders' meeting, but in any case the Board shall consist of at least 5 directors and not less than half of the total number of directors shall be domiciled in Thailand; and
- (3) at least one-third of the total number of directors, but in any case not less than 3 directors, shall be qualified as independent directors.

The Board shall be responsible for selecting and nominating persons who possess the following qualifications to be directors of the Company and propose the same to the shareholders' meeting for further approval:

- (1) having requisite knowledge, ability, honesty and moral in operating the Company's business as well as sufficient time to devote his/her knowledge and ability to perform their duties for the Company;
- (2) having qualifications, do not possess prohibited characters as prescribed in the laws governing public limited companies and other relevant laws and do not possess characters which are considered inappropriate to be entrusted with managing the business that offers shares to the public, as prescribed in the notifications of the Securities and Exchange Commission;
- (3) not undertaking any business or becoming a partner or a director of any entity operating business of similar nature and which competes with the Company's business, whether for his/her own benefit or for the benefit of others, unless it is notified to a shareholders' meeting before the meeting passes a resolution to appoint such person to be a director of the Company;
- (4) independent directors shall be qualified as independent directors according to the Company's criteria and the Notification of the Capital Market Supervisory Board regarding qualifications of independent directors. In addition, the independent directors shall have the ability to protect the interests of all shareholders equitably, not to create any conflicts of interest, and shall be able to express an independent opinion at the Board meeting.

The Company has a policy that non-executive directors shall be independent from the Management and controlling shareholders and must not be in business relationship with the Company in the manner that may prevent him or her from expressing an independent opinion. The independent directors shall also possess the following qualifications:

- (a) holding shares not exceeding one percent of the total number of shares with voting rights of the Company, its parent company, subsidiaries, associated companies, major shareholders or controlling persons, including shares held by related persons of such independent director;
- (b) neither being nor used to be directors participating in the management, employee, staff, advisor receiving a regular salary from the Company, or controlling person of the Company, its parent company, subsidiaries, associated companies, subsidiary company in the same level, major shareholders or controlling persons of the Company, unless the foregoing status has ended not less than two years prior to the date of filing an application with the Office of the Securities and Exchange Commission. However, such prohibited characters shall not include the case where an independent director used to be a government official or an advisor of a government authority which is a major shareholder or controlling person of the Company;
- (c) not being a person related by blood or legal registration as father, mother, spouse, sibling, and child, including spouse of child, of executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling person of the Company or its subsidiaries;
- (d) neither having nor used to have a business relationship with the Company, its parent company, subsidiaries, associated companies, major shareholders or controlling persons of the Company, in the manner which may interfere with his or her independent judgment, and neither being nor used to be a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiaries, associated companies, major shareholders or controlling persons of the Company, unless the foregoing relationship has ended not less than two years prior to the date of filing an application with the Office of the Securities and Exchange Commission.

Such business relationships include commercial transactions made in the ordinary course of business, renting or leasing immovable property, transactions relating to assets or services, granting or receipt of financial assistance by receiving or giving loans, guarantees, providing assets as collateral, and any other similar actions, which result in the Company or its counterparty being subject to indebtedness payable to the other party in the equivalent to three percent or more of the Company's net tangible assets or twenty million baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to, *mutatis mutandis*, the method for calculation of value of related party transactions under the notification of the Capital Market Supervisory Board governing rules on related party transactions. Moreover, in considering such indebtedness, it shall include the indebtedness incurred during the period of one year prior to the date on which the business relationship with the same person commences;

(e) neither being nor used to be an auditor of the Company, its parent company, subsidiaries, associated companies, major shareholders or controlling persons of the Company, and not being a significant shareholder, controlling person, or partner of an audit firm carrying out the audit of the Company, its parent company, subsidiaries, associated companies, major shareholders or controlling persons of the Company, unless the foregoing relationship has ended not less than two years prior to the date of filing an application with the Office of the Securities and Exchange Commission;

(f) neither being nor used to be a professional service provider including legal advisor or financial advisor receiving fees exceeding two million baht per annum from the Company, its parent company, subsidiaries, associated companies, major shareholders or controlling persons of the Company, and not being a significant shareholder, controlling person or partner of such professional service provider, unless the foregoing relationship has ended not less than two years prior to the date of filing an application with the Office of the Securities and Exchange Commission;

(g) not being a director appointed to be a representative of directors of the Company, major shareholder or shareholders who is a concert party of the major shareholder;

(h) not undertaking any business of similar nature to and which competes with the Company or its subsidiaries, or not being a significant partner in a partnership or being a director participating in management, employee, staff, advisor receiving a regular salary from or holding shares in a proportion exceeding one percent of the total number of shares with voting rights of other company which undertakes business in the same nature to and which competes with the Company or its subsidiaries; and

(i) not having any other characters which may prevent him or her from expressing an independent opinion on the Company's operations.

Audit Committee

The Audit Committee shall be appointed by the Board or the shareholders' meeting. The Audit Committee shall consist of at least 3 independent directors, and at least one of which shall have sufficient knowledge and experience in accounting and finance to review the financial statements. The Audit Committee shall have the following qualifications:

(1) having qualifications to be independent directors as prescribed in the notifications of the Securities and Exchange Commission, the Capital Market Supervisory Board and/or the Stock Exchange of Thailand;

(2) not being a director assigned by the Board to make decisions on business operations of the Company, subsidiaries, associated companies, a subsidiary in the same level, major shareholders or controlling persons of the Company;

(3) not being a director of the Company's parent company, subsidiaries or a subsidiary in the same level which are listed companies on the stock exchange; and

(4) having sufficient knowledge and experience in performing duties of the Audit Committee and at least one of the members of the Audit Committee shall have sufficient knowledge and experience in auditing reliability of the financial statements.

Executive Committee

The Executive Committee shall be selected and appointed by the Board. The Executive Committee shall consist of at least 5 members. The members of the Executive Committee may or may not be a director of the Company and shall have the following qualifications:

(1) having requisite knowledge, ability, honesty and moral to operate the Company's business and sufficient time to devote his or her knowledge and ability to perform their duties for the Company;

(2) having all qualifications and do not possess prohibited characters prescribed by the laws governing public limited companies and other applicable laws; and

(3) not undertaking any business of similar nature to and which competes with the Company or not being a partner in a partnership or being a director of another company operating a business of similar nature to and which competes with the Company, unless it is notified to the Board meeting before the meeting passes a resolution to appoint such person to be a member of the Executive Committee.

Risk Management Committee

The Risk Management Committee shall be selected and appointed by the Board. The Risk Management Committee shall consist of 3 members. The members of the Risk Management Committee may or may not be a director of the Company. The members of the Risk Management Committee shall have the following qualifications:

(1) having requisite knowledge, ability, honesty and moral to operate the Company's business and sufficient time to devote his/her knowledge and ability to perform their duties for the Company;

(2) having all qualifications and do not possess prohibited characters prescribed by the laws governing public limited companies and other applicable laws; and

(3) not undertaking any business of similar nature to and which competes with the Company or not being a partner in a partnership or being a director of another company operating a business of similar nature to and which competes with the Company, unless it is notified to the Board meeting before the meeting passes a resolution to appoint such person to be a member of the Risk Management

Executives

The Company does not have the Nomination Committee. However, the Company has a policy to recruit personnel having knowledge, ability and experience relating to the Company's business. The executives of the Company shall be appointed by the Board or the person assigned by the Board.

Supervision of Usage of Internal Information

The Company has the following policy and procedure prohibiting directors and executives from using internal and non-public information for personal benefit:

(1) The Company has informed its directors and executives of their obligation to prepare and submit reports disclosing the possession, acquisition and disposition of securities in respect of themselves, their spouse and minor children, to the Office of the Securities and Exchange Commission pursuant to Sections 59 and 246 of the Securities and Exchange Act B.E. 2535 (A.D. 1992) (as amended). They have also been informed of the corresponding penalties set out in Sections 275 and 298 of the Securities and Exchange Act B.E. 2535 (A.D. 1992) (as amended).

(2) The Company requires its directors and executives to prepare and submit reports disclosing any change in the possession of securities in respect of themselves, their spouse and minor child to the Office of the Securities and Exchange Commission, pursuant to Section 59 of the Securities and Exchange Act B.E. 2535 (A.D. 1992) (as amended). The report shall be prepared and submitted to the Company on the same date as submitted to the Office of the Securities and Exchange Commission.

(3) The Company requires its directors, executives, staff and employees who have access to internal information which may materially affect the securities price of the Company, to avoid trading of the Company's securities for a period of 1 month prior to the disclosure of such information to the public, and not to trade in the Company's securities until at least 24 hours after such disclosure. The Company also requires such material information not to be disclosed by related persons to any third party until the disclosure of such information to the Stock Exchange of Thailand.

Should it be determined that the above rules were breached, the disciplinary sanctions imposed by the Company may vary from a verbal reprimand, a written reprimand, suspension of work without pay or termination of employment, as the case may be.

(4) The Company requires its directors, executives, staff and employees who have access to internal information which may materially affect the securities price of the Company and is not yet disclosed to the public, to avoid directly or indirectly purchasing, selling or offering to sell or purchase or inducing other persons to purchase or sell or to offer to purchase or sell shares or securities of the Company (if any) that may create direct or indirect damage to the Company and whether such insider dealing is for the benefit of themselves or others or whether such disclosure is to allow other person dealing with the Company's securities by using inside information with or without benefits in return.

Conflict of Interest Policy

The Board has a conflict of interest policy based on the principle that any decision made in relation to the business activities will be for the best interest of the Company and will avoid any activities that may create conflicts of interest. The Company requires any related persons or persons who may have conflicts of interest in respect of any item in consideration shall disclose his/her relationship or conflicts of interest to the Company and shall leave the meeting when the item is being deliberated.

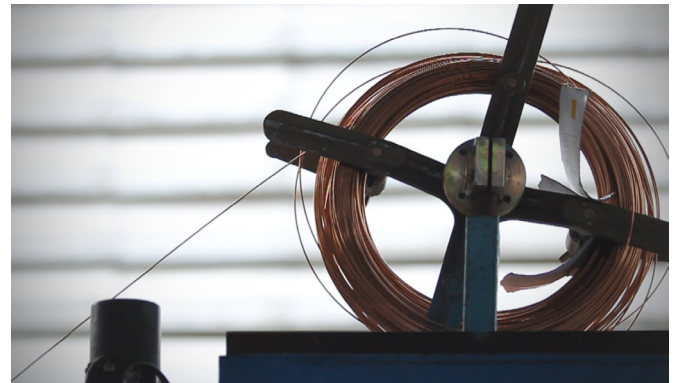
Auditor's Remuneration

• Audit Fee

The company paid to the auditor (A.M.T. Associate) amounting to 970,000 baht in 2013 as the auditing fee, including review quarterly financial statement fee and stock observation fee.

• Non-Audit Fee

The company paid for other services, including monitoring compliance with the terms of BOI to the auditor (A.M.T. Associate) in 2013 amounting to 20,000 baht.





BJCHI

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED

Corporate Social Responsibility (CSR)



CSR Policy

Beyond business success, the Company has also emphasized on corporate responsibility to the society, the environment and the community to promote sustainable growth. Therefore, the Company has set a CSR Policy, focusing on supporting employees' welfare and better quality of life because they are one of the organization's key success factors as well as protecting the environment and reducing pollutions. In addition, the Company has emphasized on society's safety, environment, and life quality of persons engaging with the Company's business operation. The Company has also fostered employees' conscience for social and environment responsibility and ensured that their practices conform to relevant laws and regulations. Moreover, the Company has participated in activities that promote and preserve environment and local culture. To ensure effective corporate social responsibility programs, the Company has set up a CSR Committee, which will commence material operation in 2014.

At the Board of Directors' meeting No. 1/2014 on February 24, 2014, the Board has determined corporate social responsibility policy according to CSR guidelines of the Stock Exchange of Thailand, which can be summarized as follow;

Principles	Vision	Mission/Strategy
1. Fair Business Operation	The Company emphasizes on fair and honest business competition in accordance with relevant laws and the Company's business ethics	• Not asking or accepting bribery or any other benefit beyond trade agreement • Protects confidential information of customers and not using them for its own benefits
2. Anti-Corruption	The Company operates with transparency and good governance, supporting anti-corruption activities and encouraging Management and employees to comply with laws and regulations	• Promotes awareness, values and attitudes of employees to honestly comply with rules and regulation • Provides effective internal control system and appropriate check and balance mechanism to prevent malpractices by employees
3. Respect for Human Rights	The Company operates its business with respect to human rights both within and outside the organization	• Trains staffs on relevant rules and measures to ensure that business operations do not violate human rights
4. Fair treatment to workers	The Company focuses on fair treatment to workers because they are important elements for the Company's business operations	• Treats employees fairly without discrimination • Prepares Code of Conduct that clearly indicates the employees' equality
5. Responsibility to Customers	Products and services of the Company should not be harmful to consumers. The quality of products and services must meet the specified quality standard as substandard products could damage the overall manufacturing process of customers	• Conducts quality inspection in every step of the manufacturing and installation process • Quality of the Company's products and services has been certified by various famous institutions
6. Environment Preservation	The Company is aware of the environmental impact from business operations as the production process could affects environment of surrounding communities	• Conducts annual environment report. So far, there has been no serious impact on the environment
7. Community and Social Development	The Company values the significance of running business along with promoting community and social development. The Company's normal course of operation does not cause any serious adverse effect to the surrounding community	• Promotes employment of local residents • Focuses on eco-friendly business practices
8. Innovation and disclosure of CSR innovation	- None -	- None -

Implementation and report preparation

In 2013, the Company has conducted corporate social responsibility projects (CSR Projects), focusing on occupational health and safety as well as preventing and reducing impacts from pollution. Five projects were initiated and three are carried over to 2014, with details as follow;

Projects	Operation Period	Objectives	Main Procedures	Key Performance Indicator
1. Lighting Improvement Project	June-September 2013	To prevent danger from insufficient lighting	• Explores areas that fail environmental inspection • Prepares project and plan to resolve lighting problem • Studies areas that fail environmental inspection determine solution, and implement the solution • Re-evaluates brightness in the resolved areas • Prepares a summary report and evaluates project result	The level of brightness must meet legal requirement or standards set by each department (At least 600 Lux)
2. Garbage Storage Area Improvement Project	July-August 2013	• To improve conditions of the buildings or place used to store garbage • To have adequate safety equipment in functional condition in case of emergency	• Explores and determines areas for garbage house and designs spaces in garbage house • Builds garbage house • Installs garbage scaling machine • Examines and receives construction work • Installs safety equipment to restrain potential chemical leak	Implement the improvement project to prevent environmental contamination
3. Hearing Preservation Project	July 2013-August 2014	• To prevent employee's hearing loss from working • To control noise level at workplace • To educate employees about danger caused by noise and usage of noise protection equipment	• Surveys, measures and analyzes annual noise inspection in 2013 • Conducts hearing preservation plan and project. • Determines noise-control area and consider noise reduction measures • Measures noise in noise-control area in 2014	• Noise level does not exceed 85 decibel a, the benchmark stipulated by law. • Declines in number of employees with hearing problem
4. Reduction in number of staff with muscular illness project	August 2013-September 2014	• To reduce number of employees suffered from muscular illness by 20%	• Prepares illness database and groups of employees suffered from muscular illness • Publishes announcement and ensures that employees do not lift materials with weight exceeding levels specified by the law • Concludes project results	Number of employees suffered from muscular illness reduced by 20%
5. Reduction of accident from steel grinding causing dust blowing into eyes	September 2013-September 2014	• To prevent, control and reduce accidents from steel grinding causing dust blowing into eyes • To find ways to protect employees and ensure they are capable of using personal protection equipment	• Studies actual cause of the accident and appropriately check protection equipment • Trains staff and distribute relevant information on notification board • Keeps record of accident from steel grinding causing dust blowing into eyes	Number of accidents from steel grinding causing dust blowing into eyes dropped by 50% from figures of January - August 2013

After-Process CSR Activities

In 2013, the Company conducted after-process CSR activities in many areas as follows;

Period	Type of Activities	Objectives	Venue
January	Money Donation	To support children day ceremony	Sattahip Naval Base, Chonburi
February	Money Donation	Dhamma card for charity	Office of Tourism and Sport, Rayong
April	Money Donation	To build church	Makham Deaw Temple, Rayong
May	Money Donation	To build library	Ban Don Sob Pruea School, Nhan
June	Money Donation	To support funds for Royal Kathin Ceremony	Department of Employment, Rayong
July	Money Donation	To construct pavilion at temple (burnt down)	Krachet Temple, Rayong
	Money Donation	To support Sport Games	Nikhom Rayong School, Rayong
August	Stuff Donation	To support rewards	Child Welfare Protection Center, Rayong
September	Stuff Donation	To support rewards	Social Security Office, Rayong
October	Money Donation	To raise funds for construction of sermon hall	Uthaithani
	Drinkingwater Donation	To aid flood victims	Social Security Office, Rayong
November	Money Donation	To support public interest	Disabilities Rayong
December	Money Donation	To support public interest	Taksin Foundation, Rayong
	Money Donation	To support Red Cross Exhibition, Rayong	Red Cross Society, Rayong
	Money Donation	To support prize of lucky draw for government officers and employees	Sattahip Naval Base, Chonburi
	Stuff Donation	To support rewards in Red Cross Exhibition, Rayong	Red Cross Society, Rayong

Anti-Corruption Policy

The Company has a philosophy in conducting businesses with integrity and adheres to responsibilities to all stakeholders. The Company has complied and prepared in written best practices, to be used as practical operating guidelines for all employees. The Company has set anti-corruption policies as below;

1. Directors, management and employees of the Company are prohibited from performing, accepting, or supporting corruption in any form, both directly and indirectly. This is also applicable to all related contractors and sub-contractors. Regular reviews on compliance with the anti-corruption policy shall be made, as well as implementation reviews to ensure it is in line with the policy, regulations, rules, notifications, laws and business changes.

2. The anti-corruption standard is part of business operation and it is the duty and responsibility of the Company's board of directors, management, supervisors, and employees at all levels to express their opinions regarding the implementation anti-corruption actions to ensure policy achievement.

3. The Company has formulated anti-corruption measures in accordance with relevant laws and moral codes. The Company conducted risk assessment on activities that are related to, or at risk of, corruption and use the results to prepare operating guidelines for all related parties.

4. The Company does not offer or support bribery in any form in all activities under its supervision including supervision of charitable contributions, political contributions, offer of gifts in business transactions. The Company also supports transparency in all activities with no intention of convincing officials of the government or private sectors to undertake inappropriate actions.

5. The Company provides anti-corruption knowledge to its directors, management and employees to promote integrity, honesty and sense of responsibility in performing their duties, and demonstrate its true commitment.

6. The Company has in place mechanisms for transparent and accurate financial reporting.

7. The Company has provided a variety of communication channels for employees and stakeholders to raise concerns and report suspicious circumstances with confidence that they will be protected from punishment, unfair transfer or harassment in any way, as well as appoint person(s) to investigate all the informed traces.



Internal Control and Risk Management

According to the Board of Directors' meeting No. 1/2014 on February 24, 2014, with the full attendance of the three Audit Committee members, the Board of Directors assessed the adequacy of the Company's internal control in 2013, using the evaluation form stipulated by the Securities and Exchange Commission (SEC) that cover five aspects, comprising organizational control and environment measure, risk management measure, management control activities, information and communication measure, and monitoring. Through inquiries with the management and internal auditor, the Board of Directors has an opinion on the adequacy of internal control system as follows;

1. Control and Environment: determining job descriptions for every level of employees, standard operating procedures, and code of conducts for the management and staffs.
2. Risk Management: Analyzing, follow-up, and reporting potential risk of each department to the management's meeting.
3. Management Control Activities: determining clear authority scope, separating responsibilities that could facilitate corruption, as well as comparing actual performance with estimated budget/projection at each of the monthly management's meeting.
4. Information and Communication: studying and developing work system to connect all functions and conducting weekly management's meeting to exchange and share information.
5. Monitoring: preparing assessment and follow-up systems to evaluate the Company's overall performance and conducting internal auditing system as independent mechanism to monitor internal control system in quarterly basis.

The Board of Directors has an opinion that the Company has adequate internal control system and risk management. The Company has assigned and allocated sufficient personnel to operate internal control system effectively, preventing any director or management to abuse the Company's assets. Besides determining authorization scope and preparing written standard operating procedure (SOP), the Company set up auditing mechanism to independently monitor and evaluate internal control system. In addition, The Company has a system to store important documents that directors, auditors and authorized person can access and verify within an appropriate time period, as well as having an internal control system to sufficiently control any transactions with related parties or persons with potential conflicts of interest.

The Company has appointed an internal auditor (Dharmniti Auditing Co., Ltd.) in 2013. The Audit Committee has approved auditing plan, covering the project cost management, cost calculation and construction revenue realization, raw materials and construction materials cost control. The internal auditor has issued suggestion to the Company, which it acknowledged and resolved the issues within recommended time period. According to the latest internal audit report (No.4/2013), covering raw materials and construction materials cost control during November 2013, the auditor found that the Company has adequate internal control system. However, to further improve internal control system, the internal auditor suggested that the Company improve operation procedure such as the preparation of supporting documents upon completion of projects. The Company has improved its procedures in accordance with the suggestion by February 2014.

Dharmniti Auditing Co., Ltd., the Company's internal auditor, has assigned Mr. Saksri Amphawon, Internal Audit Senior Manager, to be a team leader, responsible for conducting internal auditing for the Company. After the Audit Committee has considered the internal auditor's and the team leader's qualifications, the Audit Committee has an opinion that Mr. Saksri is qualified for being the internal auditor for the Company, given his independency and eight year of experiences in internal auditing of similar business. In addition, he had participated in various internal control training programs such as Internal Auditors of Thailand Program, Internal Auditor Training, and Risk Management/Internal Control based on COSO framework, etc. Moreover, the Company has set up the internal audit department to coordinate with outsourced internal auditor. Any appointment, transfer and dismissal of the Company's head of internal auditor must be approved by the Audit Committee.

In addition, the Company has appointed A.M.T. & Associates as its external auditor for 2013. The auditor has audited and assessed the internal control of accounting system according to accounting standards. A.M.T. & Associates has reported to the Audit Committee that they have found no matters involving internal control and the operation that the auditor has considered to be a material weakness during the audit of the Company's 2013 financial statements.



Details of connected transactions with persons that may have conflicts of interest

In 2013, the Company received financial assistance from the three directors, considered as persons with potential conflict of interest. Details are as follow:

- 1) Persons with potential conflicts of interest** : [Mr. Kyu Young Lee](#)
Nature of relationship : Authorized director, holding 16.75% of the Company's paid-up capital (as of December 31, 2013).

Nature of Transaction	Connected transaction value for Fiscal year, ending December 31, 2013	Necessity and rationality of the transaction
1) Provision of guarantee in favor of two financial institutions to secure credit facilities of the Company* without any compensation	Guarantee amount of 1,816.71 MB	The Audit Committee viewed that the connected transactions are reasonable as the Company received financial assistance from the director without any compensation. In addition, the Audit Committee suggested that the management negotiate with financial institutions to release this guarantee after listing the Company's shares on the Stock Exchange of Thailand. Currently, both financial institutions are in the process of considering releasing such guarantee.
2) Provision of guarantee in favor of three financial institutions to secure car leasing agreements without any compensation	Guarantee amount of 2.94 MB	

Remark : * consists of 1) overdraft facilities; 2) bank guarantees; and 3) letters of credit and trust receipts (L/C and T/R) and 4) working capital facilities.

- 2) Persons with potential conflicts of interest** : [Mr. Seung Woo Lee](#)
Nature of relationship : Authorized director, holding 28.13% of the Company's paid-up capital (as of December 31, 2013).

Nature of Transaction	Connected transaction value for Fiscal year ending December 31, 2013	Necessity and reasonableness of the transaction
1) Provision of guarantee in favor of three financial institutions to secure car leasing agreements without any compensation	Guarantee amount of 2.77 MB	The Audit Committee viewed that the connected transactions are reasonable as the Company received financial assistance from the director without any compensation.

3) Persons with potential conflicts of interest

: Mrs. Chanchira Smakthai

Nature of relationship

: Authorized director, holding 0.31% of the Company's paid-up capital (as of December 31, 2013).

Nature of Transaction	Connected transaction value for Fiscal year ending December 31, 2013			Necessity and reasonableness of the transaction
1) Land rental to the Company of 12-0-1 rai. Land title deed no. 68293 Survey 5234 IV 2420 Land no.172 Book 653 Page 93 Surveyor 4278 at Makhamkoo Sub-district, Nikompattana District, Rayong Province Transaction Date: One year agreement from July 1, 2013 - June 30, 2014, renewable twice for one year each at the same rental rate (Further renewal would depend on negotiation between the Company and the landlord to settle new reasonable rental rate.) • Rental fee is Baht 70,000 /month, totaling of Baht 840,000 /year (or equal to Baht 69,985 /rai/year). The Company pays rental fee on a monthly basis. • Rental deposit equals to three months rental fee (Baht 210,000) is payable with first rental payment and refundable after the end of lease agreement.	Rental fee	0.42	MB	The Company wanted to use this plot of land, adjacent to the Company's land, to increase production capacity.
	Prepaid rent			
	Beginning Balance	-	MB	The Audit Committee viewed that this connected transaction is reasonable since it benefits the Company's operations while the rental fee is considered to be reasonable and not transferring benefits to persons with potential conflicts of interest.
	Increase	0.07	MB	
	Decrease	-	MB	
	Ending Balance	0.07	MB	
	Rental deposit			The rental fee is lower than the fair rental rate, appraised by independent appraiser at Baht 72,000 /rai/year.
	Beginning Balance	-	MB	
	Increase	0.21	MB	
	Decrease	-	MB	
	Ending Balance	0.21	MB	
2) Provision of guarantee in favor of eight financial institutions to secure car leasing without any compensation	Guarantee amount of	11.09	MB	The Audit Committee viewed that the connected transactions are reasonable as the Company received financial assistance from the director without any compensation.

Measures or procedures in connected transactions approval

The Company shall comply with the Securities and Exchange laws and regulations, notifications, orders or rules of the Capital Market Supervisory Board and the Stock Exchange of Thailand. In this regards, executives or persons with conflicts of interest shall not get involved in the approval of the connected transactions.

In the event that an approval from the Board is required, the Audit Committee will present at the Board meeting to consider and express opinions on the necessity and rationality of such connected transactions. The Company has principles in entering connected transactions with common trade conditions and connected transactions with uncommon trade conditions as follows:

(a) Transactions with common trade conditions

Regarding connected transaction between the Company/ its subsidiaries (if any) and directors, executives, or related persons that has won the Board's in-principle approval, the Management can approve the transaction provided that such transaction has common trade conditions that a decent person would agree with any unrelated counterparty under similar circumstances without interference from relevant directors, executives or related persons. The Company shall prepare a summary of connected transactions and report to the Audit Committee's meeting and the Board meeting every quarter.

(b) Transactions with uncommon trade conditions

Connected transactions with uncommon trade conditions shall be considered and opined by the Audit Committee before proposing to the Board and/or shareholders for further approval. In this regards, the Company shall comply with the Securities and Exchange laws and the regulations, notifications, orders or rules of the Capital Market Supervisory Board and the Stock Exchange of Thailand, including rules on disclosure of connected transactions.

In the event that the Audit Committee lacks expertise in reviewing the connected transaction, the Company may appoint independent professionals or the Company's auditor to provide opinion of such connected transactions to support the decision of the Audit Committee and/or the Board and/or the shareholders. This is to ensure that the engagement in such connected transaction is necessary, reasonable, and taking into account the interests of the Company. The Company shall disclose the connected transactions in the Company's annual report and notes to the financial statements, audited by the Company's auditor.

Connected Transaction Policy and Trend

To engage in any connected transaction in the future, the transaction must be necessary, reasonable, and benefit the Company. The transactions must be reviewed by the Audit Committee and/or the Board, with the participation of the Audit Committee to consider and provide opinions on the rationality, pricing, and condition of the connected transactions. The terms and conditions of the transactions must be comparable with those engaged with non-related persons while the price must be fair and accountable. The Audit Committee shall have authority to review the criteria and guidelines for entering into such transaction. In the event that the Audit Committee lacks expertise in reviewing the connected transaction, the Company may appoint independent professionals or the Company's auditor to provide opinion of such connected transactions to support the decision of the Audit Committee and/or the Board and/or the shareholders. The Board must ensure that the Company complies with the Securities and Exchange laws and rules, notifications, orders or regulations of the Capital Market Supervisory Board and the Stock Exchange of Thailand, including rules on disclosure of connected transactions by the Company or subsidiaries (if any) in accordance with the accounting standards prescribed by the Institute of Certified Accountants and Auditors.





BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED

Report of the Board's Responsibilities for the Financial Statements



Dear Shareholders,

The Board of Directors of BJC Heavy Industries Public Company Limited is responsible for the Company's financial statements, which are consistently prepared in accordance with generally accepted accounting standards. In preparing the financial statements, appropriate accounting policies have been adopted and regularly adhered to, using careful discretion and reasonable estimates. The Company ensures that information in the notes to financial statements is appropriately disclosed in a transparent manner to shareholders and investors. Importantly, the certified auditor from A.M.T. & Associates has audited the financial statements and issued an unqualified opinion on them.

The Board of Directors has implemented good corporate governance practice and maintained effective risk management and internal control system in order to ensure that all accounting items are accurately booked in timely manners so as to protect the Company's assets and to prevent fraudulent practice or material irregular transactions.

The Board of Directors has appointed the Audit Committee, comprising independent directors, to review the accuracy of financial statements, internal control and risk management systems as well as internal audit procedures. The Audit Committee's comments appear in the Audit Committee's Report as indicated in this Annual Report.

Based on the effectiveness of the Company's internal control and internal audit systems, the Board of Directors ascertain that the financial statements of BJC Heavy Industries Public Company Limited for the year ended December 31, 2013 are prepared in accordance with financial reporting standards and fully represent the Company's financial position, performance, and cash flow. The Company's auditor has expressed opinion on the Auditor's Report as presented in this Annual Report.

Yours faithfully,



Mr. Kyu Young Lee
Director / President

Yours faithfully,



Mrs. Chanchira Smakthai
Director



 BJCHI
BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
Report of Audit Committee



Dear Shareholders,

The Audit Committee of BJC Heavy Industries Public Company Limited, by the appointment of the Board of Directors, comprises of three qualified independent directors, namely Mr. Boonchuay Korkitrotjana, the Chairman of Audit Committee, Assoc. Prof. Dr. Ekachidd Chungcharoen, and Mr. Noppadol Dheerabutvongkul as the Audit Committee's members. All three members are knowledgeable and experienced in various fields such as internal audit, finance and accounting, operations management, and engineering. The secretary of the Audit Committee is Ms. Noppasorn Thampitak.

The scopes, duties and responsibilities of the Audit Committee are in accordance with the regulations of the Stock Exchange of Thailand and the charter of Audit Committee. These regulations are used as guideline for corporate governance and provision of independent opinions to ensure efficient, effective, transparent and fair business operations.

The Audit Committee met five times in 2013, with full attendance by all the three committee members. These meetings were held with the internal auditors, the external auditors, and occasionally with managements from the Finance and Accounting department, and from operating departments as appropriate. Key matters from the meetings have been regularly reported to the Company's Board of Directors as summarized below;

1. Review of quarterly and annual financial statements

The Audit Committee has opinion that the financial statements were essentially accurate according to the generally accepted accounting standards, compliance with the Auditor's opinions, and disclose complete and sufficient timely information for the benefits of shareholders and the users of the financial statements.

2. Review of Internal Control System

The Audit Committee has opinion that the Company's internal control system is adequate in accordance with international standard in terms of quality, environment, health and safety, and information management. In addition, the company has determined risk assessment and management, discipline, rules and regulations, authority limits, clear operating procedure and good corporate governance to prevent any malpractices from business operation.

3. Revision of Internal Audit

The Audit Committee together with the Management has reviewed and considered the mission, objectives, scope of work, responsibilities, independency, and audit plan of internal audit department in accordance with the International Standards for the Professional Practice of Internal Auditing. In 2013, the Company assigned Dharmniti Auditing Co., Ltd. to conduct internal auditing together with the Company's internal audit team. Based on the internal audit report, the Audit Committee has an opinion that the internal auditing has been conducted in line with the audit plan, with proper monitoring to ensure that their recommendation are carried out and enhance effectiveness of the internal control system. Moreover, the Audit Committee together with the management has evaluated internal auditor's performance and proposed to the Board of Directors to consider reappointing Dharmniti Auditing Co., Ltd. as the Company's Internal Auditor in 2014.

4. Revision of Risk Management

The Audit Committee has agreed with the internal auditor that the Company has adequate procedure for to manage, assess, and review present and potential future risks. The performance of the risk management committee has been regularly reported to the Board of Directors to figure out preventive measures for reducing risk and potential impact on business operations. In addition, the internal auditor has also monitored and evaluated the implementation of risk reduction measures and ensured that risks are kept at manageable and acceptable level.

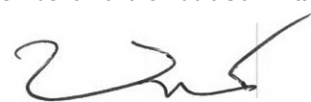
5. Review and comments on Connected Transactions

The Audit Committee has similar opinion with the Company's auditor that the Company has entered into connected transactions with transparency, fair, no conflict of interest, and adequate information disclosure to the public in compliance with regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission.

6. Consideration of selecting, appointing the auditor and proposing audit fee

The Audit Committee together with the Management reviewed the selection of the Company's auditor by considering the reliability, capability to provide services and advice on accounting standards, track record, ability to complete auditing tasks on time and provision of useful opinions to the Company. In 2013, A.M.T. & Associates performed satisfactory auditing tasks for the Company. Hence, the Audit Committee has proposed that the Board of Directors recommend the shareholders' meeting to approve the appointment of Mrs. Kesari Narongdej, Certified Public Accountant (Thailand) No. 0076; or Ms. Nutsaluk Sarochanunjean, Certified Public Accountant (Thailand) No. 4563; or Mr. Sumit Khopaiboon, Certified Public Accountant (Thailand) No. 4885; or Mr. Chaiyuth Angsuwithaya, Certified Public Accountant (Thailand) No. 3885 of A.M.T. & Associates to be the Company's auditor in 2014, with proposed annual audit fee of 1,060,000 Baht.

On behalf of the Audit Committee



Mr. Boonchuay Korkitrotjana
Chairman of Audit Committee



BJCHI

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED

Management Discussion and Analysis



Performance Overview

• Revenue

Contracted Revenue

In 2013, the Company recorded contracted revenues of Baht 3,909.61 million, up by 8.19% from Baht 3,613.55 million in 2012. The revenue growth was due mainly to realization of continuous revenues from two key sizable projects in Australia including those from (1) an EPC contractor Laing O'Rourke Australia Construction Pty Limited ("LOR") and (2) a project owner Australia Pacific LNG Pty Limited ("APLNG").

The Company started engaging with the LOR's project in May 2011 and has since been awarded several projects from LOR, with a combine project value of Baht 1,080.59 million. Revenues from these projects were recognized between 2011 and Q2/2013. Due to the success of previous projects and satisfaction in the quality of works, the Company has in Q3/2013 been awarded a new steel structure project for a mine in Australia worth Baht 674.81 million, of which Baht 409.89 million, or 60.74% of total project value, was recognized as revenues in 2013. This project is part of phase II investment that links with phase I that the Company previously engaged with.

The Company has started APLNG's Modularization work for gas exploration and drilling in Australia since June 2011, with the original project value of Baht 5,391.02 million. Due to satisfaction in the Company's quality of works and punctual delivery, the Company has been awarded addition works from APLNG such as the APLNG/Talinga and APLNG/Spring Gully projects, thus lifting a combine project value from APLNG to Baht 7,056.49 million and substantially bolstered the Company's contracted revenues from late 2011 until now.

The Company's revenue structure varies each year with results of biddings from EPC contractors/project owners and type of made to order projects and services. In 2012 – 2013, the Company did not provide any Site erection services, thus all works were completed at the Company's facilities and finished parts were delivered to customers at the port as agreed with customers. The Company's revenue structure can be divided into three main categories including 1) Steel fabrication 2) fabrication and Modularization and 3) Precast concrete.

Revenue Structure (Unit : Baht Million)	2012 (Restated)		2013	
	Amount	%	Amount	%
1. Steel fabrication	985.82	26.99	591.11	15.05
- Steel Structure	722.41	19.78	590.81	15.04
- Piping Fabrication	210.45	5.76	-	-
- Heater & Reformer	52.6	1.44	-	-
- Storage Tank	0.36	0.01	0.30	0.01
2. Fabrication and Modularization	2,564.26	70.20	3,318.50	84.46
3. Precast concrete	63.47	1.74	-	-
Total contracted revenue	3,613.55	98.93	3,909.61	99.51
Other income ^{/1}	39.03	1.07	19.28	0.49
Total revenues	3,652.58	100.00	3,928.89	100.00

Remark: ^{/1} other income consists of foreign exchange gain, profit/loss from sale of assets, revenue from sale of steel scrap, and revenue from other services. and revenue from other services. (Please see further explanation on the topic of Other Income.)

In 2013, the Company's revenues from Modularization works were at Baht 3,318.50 million, up by 29.41% from 2012, representing 84.46% of total revenues. The higher proportion of revenues from Modularization works in 2013 was due to an increase in revenue recognition from APLNG projects, both from addition works and new projects.

Meanwhile, revenues from Steel fabrication dropped from Baht 985.82 million in 2012 to Baht 591.11 million this year. Proportion of revenues from Steel fabrication fell to 15.05% of total revenues this year from 26.99% because the Company has focused mainly on Modularization works, which offers relatively wider gross profit margin while most of Steel fabrication works were finished in Q1/2013. However, the Company has been awarded a new Steel fabrication project, which it started to recognize revenue from Q3/2013 onwards.

Regarding the Precast concrete work, the Company started providing this service in 2009. This type of service increases the Company's ability to offer a variety of services and also diversifies risks from being dependent on specific industries. As a result, the Company expanded its services to cover Precast concrete service in the port industry. In 2012, the Company booked Baht 63.47 million revenues from the Precast concrete while it did not provide any of this service in 2013.

According to the Company's accounting policy, contracted revenues are booked in percentage of work completion, calculated from the proportion of the actual construction cost to the total budgeted construction cost and also taking into account the estimation of completed works by the Company's engineers. Details of the contracted revenues recognition are as follows;

Revenue Structure (Unit : Baht Million)	2012 (Restated)	2013
Unrealized project value (at the beginning of period)	5,616.36	3,941.98
Additional contract value during the period	1,939.17	1,485.03
- New project value	779.11	1,157.34
- Addition work value	1,160.06	327.69
Realized project value during the period	3,613.55	3,909.61
Unrealized project value (at the end of period)	3,941.98	1,517.40

In 2013, the Company was awarded additional contract value of Baht 1,485.03 million, comprising new projects from APLNG, LOR and other EPC contractors worth Baht 1,157.34 million and additional work from existing projects of APLNG and LOR worth Baht 327.69 million. The Company realized Baht 3,909.61 million worth of revenues in 2013. As of December 31, 2013, the Company's backlog was at Baht 1,517.40 million.

Other Income

The Company's other income comprised of foreign exchange gain, other service revenues, interest income, gain from sale of assets, and revenues from sale of steel scrap. In 2013, the Company recorded other income of Baht 19.28 million, or 0.49% of the total revenue, down from Baht 39.03 million in 2012 due mainly to Baht 56.07 million foreign exchange loss in 2013. (Please see further explanation on the topic of Costs and Expenses.)

• Costs and Expenses

Cost of contracted works

The cost of contracted works in 2013 was Baht 2,334.46 million, down by 9.06% from Baht 2,567.11 million in 2012 because the Company was awarded more additional works, which had lower cost, as well as effective cost control. In addition, the proportion of realized revenues from Modularization work rose to 84.88% of contracted revenues in 2013 from 70.96% in 2012. The Company can quote higher price for this type of work since it is more complicated than other type of works.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses in 2013 rose 11.05% to Baht 318.50 million, or 8.15% of contracted revenues, from Baht 286.80 million a year earlier. Details as follow:

1) Selling expenses

Selling expenses in 2013 rose 7.25% to 36.86 million from Baht 34.37 million in 2012 due to higher contracted revenues from Modularization work of the APLNG project. Despite relatively higher transportation cost for the delivery of Modularization work, selling expenses accounted for only 0.94% of contracted revenues.

2) General and Administrative expenses

The Company's general and administrative expenses rose to Baht 281.64 million in 2013 from Baht 252.43 million in 2012, or 7.20% and 6.99% of contracted revenues in 2013 and 2012, respectively. The rise in general and administrative expenses was due to higher salary, bonus and other employee benefits following new hiring to accommodate business expansion.

Foreign Exchange Loss

The Company booked foreign exchange loss of Baht 56.07 million in 2013, comparing with a gain of Baht 9.54 million a year earlier. The loss in 2013 was mostly recorded during the first half of the year when Australian Dollar was depreciated against the Baht for about 9.72% (comparing between exchange rates at the end of 2012 and the end of June, referring to the Bank of Thailand's data on average buying rate quoted by commercial banks). However, after the Company started implementing foreign exchange risk management policy from mid-2013, the Company could mitigate and limit such loss. The foreign exchange loss of Baht 56.07 million in 2013 comprised of Baht 35.86 million realized loss and Baht 20.21 million unrealized loss.

• Profit

Profitability (Unit : Baht Million)	2012 (Restated)		2013	
	Amount	%	Amount	%
Gross profit	1,046.44	28.96	1,575.15	40.29
Operating profit	759.05	21.01	1,198.19	30.65
Net profit	792.79	21.70	1,206.30	30.70

Gross Profit Margin

The Company's gross profit margin surged to 40.29% in 2013 from 28.96% in 2012 because it realized revenues from most of the APLNG project, a Modularization work granted directly by the project owner that was considered to be more complicate than Steel fabrication work the Company usually had in the past. Therefore, the Company can charge at higher price, resulting in the increase in gross profit margin. Moreover, the Company was also granted additional works from the APLNG project, where its cost structure was mainly consisting of labor cost and insignificant marginal raw material cost, resulting in even higher gross profit margin than original contract work. Thus, Company booked a gross profit of Baht 1,575.15 million in 2013, up by 50.52% from Baht 1,046.44 million in 2012.

Net Profit Margin

Net profit margin soared 50.52% to 30.70% in 2013 from 21.70% in 2012 in tandem with wider gross profit margin. Meanwhile, selling, general, and administrative expenses rose by only 11.05%, a much lower pace than the gross profit margin growth, due to economy of scale. Therefore, net profit surged by 52.16% to Baht 1,206.30 million in 2013 from Baht 792.79 million in 2012.

Financial Position

• Assets

As of December 31, 2013, the Company's total assets stood at Baht 4,836.42 million, up from Baht 1,882.76 million in 2012. Details are shown below.

Cash and Cash Equivalents

At the end of 2013, the Company had cash and cash equivalents of Baht 2,336.48 million, up significantly from Baht 26.25 million at the end of 2012 on net proceeds of Baht 2,319.64 million from the sale of new common shares through the initial public offering (net from expenses relating to the IPO). In addition, the Company's net profit soared to Baht 1,206.30 million in 2013 from Baht 792.79 million in 2012, resulting in a significant increase in cash from operations. However, the Company paid a dividend of Baht 448.80 million for the 2012 performance while investment in property, plant and equipment rose by Baht 388.89 million.

Trade Receivables

As of end-2013, trade receivables were at Baht 326.41 million, down from Baht 566.94 million a year earlier. Receivables with less than three months accounted for 99.74% and 91.70% in 2013 and 2012, respectively. Trade receivables in 2013 returned to normal level due to absence of impact from the change in payment policy of certain customer as occurred in late 2012.

Unbilled Contract Work in Progress

At the end of 2013 and 2012, the Company had unbilled contract work in progress of Baht 667.12 million and Baht 96.31 million, representing 13.79% and 5.12% of the total assets, respectively. The significant increase of 592.67% unbilled contract work in progress in 2013 was due mainly to an increase in contracted work volume and effective project management that enable the Company to complete works on schedule or ahead of schedules in certain cases.

Property, Plant and Equipment

The net property, plant and equipment at the end of 2013 and 2012 was Baht 776.52 million and Baht 446.51 million, representing 16.06% and 23.72% of the total assets respectively. The increase was because the Company built new shop factories including a galvanizing shop and a steel grating shop. Moreover, the Company invested in machineries and other equipment to facilitate business expansion and reduce the production cost.

Source of Fund

• Liabilities

At the end of 2013 and 2012, the Company had a total liabilities of Baht 444.64 million and Baht 583.72 million, respectively. Current liabilities were at Baht 426.85 million and Baht 565.07 million, representing 96.00% and 96.80% of the total liabilities, respectively. Thanked to effective working capital management, the Company did not rely on any long term loan from financial institution.

Total liabilities dropped because of a 29.43% decrease in trade payables to Baht 374.43 million in 2013 from Baht 530.59 million in 2012, due to early procurement of raw material for 2013 works in late 2012. The Company also purchased more raw materials with cash in order to enjoy better trade discount benefits.

• Shareholders' Equity

At the end of 2013 and 2012, the Company had total shareholders' equity of Baht 4,391.78 million and Baht 1,299.04 million, respectively. Total shareholders' equity was up significantly by 238.08% due to the IPO of 80 million shares that lifted registered and paid up capital to Baht 320.00 million, with share premium of Baht 2,239.64 million. In addition, the increase in 2013 net profit of 2013 also boosted retained earnings to Baht 1,832.14 million at the end of 2013 from Baht 1,074.64 million at the end of 2012.

Statements of Cash Flows (Unit : Baht Million)	2012 (Restated)	2013
Net Cash Inflow (Outflow) from Operating Activities	113.03	818.02
Net Cash Inflow (Outflow) from Investing Activities	(162.64)	(387.25)
Net Cash Inflow (Outflow) from Financing Activities	(62.08)	1,879.88
Effect from Exchange Rate on Cash and Cash Equivalents	(9.14)	(0.42)
Increase (Decrease) in Cash and Cash Equivalents – Net	(120.83)	2,310.23

Cash Flows from Operating Activities

Cash inflows from operating activities in 2013 were at Baht 818.02 million, up significantly from Baht 113.03 million a year earlier due to Baht 1,284.08 million profit from operating activities before changes in operating assets and liabilities, a Baht 319.99 million increase in operating assets, a decrease of Baht 147.15 million in operating liabilities, cash received from interest income of Baht 4.77 million, and cash paid for corporate income tax of Baht 3.69 million.

Cash Flows from Investing Activities

Cash outflows from investing activities in 2013 were at Baht 387.25 million, up from Baht 162.64 million in 2012. Major cash outflows during the year were from investment in buildings and equipments as well as advance payment for the procurement of fixed assets, amounting to Baht 388.89 million, to accommodate greater volume of contracted works and reduce production cost.

Cash Flows from Financing Activities

In 2013, cash flows provided by financing activities were at Baht 1,879.88 million, mainly from the Baht 2,335.24 million proceeds from offering of new common shares. The main cash outflow activity was the payment of Baht 448.80 million dividends for the 2012 performance.

Financial Ratios• **Efficiency Ratio**

Ratios	Unit	2012 (Restated)	2013
Efficiency Ratio			
Return on Total Assets	%	55.31	35.91
Return on Fixed Assets	%	184.68	152.96
Total Assets Turnover	times	2.55	1.17

The Company's return on total assets and return on fixed assets in 2013 were at 35.91% and 152.96%, down from last year of 55.31% and 184.68%, respectively. The declines were due mainly to the significant increase of 156.88% in total assets to Baht 4,836.42 in 2013 million from Baht 1,882.76 million in 2012. Among key assets increased were cash and cash equivalents as well as fixed assets such as buildings and equipments. The Company's net profit also rose significantly by 52.16% from Baht 792.79 million in 2012 to Baht 1,206.30 million in 2013.

• **Liquidity Ratio**

Ratios	Unit	2012 (Restated)	2013
Liquidity Ratio			
Current Ratio	times	2.31	8.84
Quick Ratio	times	1.22	7.80
Cash Flows Liquidity Ratio	times	0.23	1.65

The Company's current ratio and quick ratio rose significantly in 2013 to 8.84 times and 7.80 times from 2.31 times and 1.22 times in 2012, respectively. The increases in both ratios were due mainly to the 189.06% increase in current assets from Baht 1,304.71 million in 2012 to Baht 3,771.38 million in 2013 as a result of a significant rise in cash and cash equivalents as well as unbilled work in progress in 2013.

The Company has enjoyed considerably high liquidity, thanked to internal cash flows from operations and consistent cash inflows from customers. In certain projects, customers made advanced payments of approximately 5-10% of total contract value for procurement of raw materials. Therefore, the Company had no necessity to borrow long-term fund from financial institutions and it had sufficient cash flows to pay dividend to shareholders on a regular basis.

• Financial Ratio

Ratios	Unit	2012 (Restated)	2013
Financial Ratio			
Debt to Equity Ratio	times	0.45	0.10
Interest Coverage Ratio	times	208.20	1,010.76
Debt Service Ratio	times	0.47	0.97
Dividend Payout Ratio*	%	56.61	63.67

Remark : * The calculation of Dividend payout ratio is based on performance period of each year.
On February 24, 2014, the Board of Directors' Meeting no. 1/2014 has resolved to propose to the 2014 Annual General Meeting of Shareholders to approve a dividend payment of Baht 2.40 per share for the 2013 performance.

Based on the financial ratios, the Company had low debt to equity ratio at less than 1 time. Debt to equity ratio for 2012 and 2013 were low at 0.45 and 0.10 times, respectively, because the Company had no long-term borrowing from financial institutions while most of its liabilities were current liabilities. Therefore, the increase in liabilities was mostly from the increase in trade payables that rose in tandem with higher contracted revenues. The Company also has high interest coverage ratio since it had but small interest bearing debt. In 2012 and 2013, the interest coverage ratios were at 208.20 times and 1,010.76 times, respectively.

Contingent Liabilities

As of December 31, 2013, the Company had contingent liabilities, which may occur from issuing letter of guarantee (L/G) by the banks both in Baht and in foreign currencies. The total amount of guarantees was approximately Baht 759.70 million (based on the Bank of Thailand's exchange rate data of average selling rate of commercial banks on December 27, 2013). This obligation could affect to future cash flows from business operations.

 BJCHI
BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
Financial Statements



INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT

To The Shareholders and Board of Directors of BJC Heavy Industries Public Company Limited
(Formerly BJC Heavy Industries Limited)

I have audited the accompanying financial statements of BJC Heavy Industries Limited (Formerly BJC Heavy Industries Limited), which comprise the statement of financial position as of December 31, 2013, the related statements of changes in shareholders' equity, comprehensive income and cash flows for the year then ended, and a 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 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 evaluation the appropriateness accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of BJC Heavy Industries Limited (Formerly BJC Heavy Industries Limited) as of December 31, 2013, and the result of its operation and its cash flows for the year then ended in accordance with financial reporting standards.



(Natsarak Sarochanunjeen)
Certified Public Accountant
Registration No. 4563

A.M.T. & Associates

491/27 Silom Plaza 1st floor, Silom Road, Bangruak Bangkok 10500

February 24, 2014

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
(FORMERLY BJC HEAVY INDUSTRIES LIMITED)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

BAHT

	NOTE	As of December 31, 2013	As of December 31, 2012 (Restated)	As of January 01, 2012 (Restated)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	2,336,484,330.16	26,252,024.98	147,081,433.14
Trade receivables	5	326,408,880.16	566,943,299.94	216,823,495.76
Unbilled contract work in progress	6	667,120,519.33	96,311,825.16	28,277,738.27
Other receivables	7	17,373,653.42	17,054,625.44	12,029,520.83
Inventory	8	385,157,892.72	498,990,030.02	211,012,753.99
Other current assets				
- Refund claimed value added tax		22,978,875.07	21,323,466.42	29,474,744.85
- Advance payment for purchase material		11,661,435.07	32,529,649.11	5,981,966.36
- Retention		-	40,458,439.68	5,492,971.49
- Liquidation recoverable investment in associate	9	-	-	2,764,478.71
- Others		4,196,307.79	4,849,632.99	1,448,445.56
Total Current Assets		3,771,381,893.72	1,304,712,993.74	660,387,548.96
NON - CURRENT ASSETS				
Long - term investment - Bank deposit pledged as collateral		15,539,048.75	15,390,374.46	15,254,088.16
Property, plant and equipment - net	10	776,521,491.70	446,511,814.10	301,312,037.15
Intangible assets - net	11	4,241,644.96	4,273,223.16	2,457,424.74
Deferred tax assets	3 and 23	2,107,622.60	2,063,848.88	891,405.00
Other non-current assets				
-Advance payment for purchase fixed assets		12,910,644.36	481,500.00	3,244,740.00
- Retention		245,762,054.71	101,634,025.12	-
- Others		7,952,349.60	7,694,872.24	1,533,410.00
Total Non - Current Assets		1,065,034,856.68	578,049,657.96	324,693,105.05
TOTAL ASSETS		4,836,416,750.40	1,882,762,651.70	985,080,654.01

The accompanying notes to financial statements are an integral part of these statements.

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
(FORMERLY BJC HEAVY INDUSTRIES LIMITED)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

BAHT

	NOTE	As of December 31, 2013	As of December 31, 2012 (Restated)	As of January 01, 2012 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade payables and accrued contract cost		374,430,066.62	530,590,598.25	320,626,111.13
Other payables				
- Income received in advance	6	3,639,609.68	-	63,602,417.27
- Accrued expenses		22,664,648.52	18,260,047.49	16,431,050.93
- Others		570,648.06	1,910,374.24	568,341.83
Current portion of finance lease obligations	13	6,269,983.81	5,526,370.42	3,461,318.87
Income tax payable		7,868,379.85	344,902.30	3,292,742.06
Other current liabilities		11,403,916.38	8,440,570.13	3,366,197.01
Total Current Liabilities		426,847,252.92	565,072,862.83	411,348,179.10
NON - CURRENT LIABILITIES				
Finance lease obligations	13	7,251,295.62	9,681,121.77	7,517,519.89
Employee benefit obligations	14	10,538,113.00	8,973,256.00	2,971,350.00
Total Non - Current Liabilities		17,789,408.62	18,654,377.77	10,488,869.89
Total Liabilities		444,636,661.54	583,727,240.60	421,837,048.99

The accompanying notes to financial statements are an integral part of these statements.

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
(FORMERLY BJC HEAVY INDUSTRIES LIMITED)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

BAHT

	NOTE	As of December 31, 2013	As of December 31, 2012 (Restated)	As of January 01, 2012 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY				
Share Capital	15			
Authorized share capital				
320,000,000 ordinary shares of Baht 1.00 each				
as of December 31, 2013 and				
2,244,000 ordinary shares of Baht 100.00 each				
as of January 1 and December 31, 2012		320,000,000.00	224,400,000.00	224,400,000.00
Issued and paid - up share capital				
320,000,000 ordinary shares of Baht 1.00 each				
as of December 31, 2013 and				
2,244,000 ordinary shares of Baht 100.00 each				
as of January 1 and December 31, 2012		320,000,000.00	224,400,000.00	224,400,000.00
Premium on share capital	15	2,239,641,074.97	-	-
Retained earnings				
Appropriated - legal reserve	17	32,000,000.00	22,150,000.00	18,600,000.00
Unappropriated		1,800,139,013.89	1,052,485,411.10	320,243,605.02
Total Shareholders' Equity		4,391,780,088.86	1,299,035,411.10	563,243,605.02
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,836,416,750.40	1,882,762,651.70	985,080,654.01

The accompanying notes to financial statements are an integral part of these statements.

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
(FORMERLY BJC HEAVY INDUSTRIES LIMITED)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF DECEMBER 31, 2013

BAHT

	NOTE	Issued and paid - up share capital	Premium on share capital	Appropriated legal reserve	Retained earnings Unappropriated	Total
Beginning balance as of January 1, 2013 - as previously reported		224,400,000.00	-	22,150,000.00	1,050,421,562.22	1,296,971,562.22
Retrospective adjustment from the effect of changes in accounting policy - Income tax	3	-	-	-	2,063,848.88	2,063,848.88
Beginning balance as of January 1, 2013 - after adjustment		224,400,000.00	-	22,150,000.00	1,052,485,411.10	1,299,035,411.10
Changes in shareholders' equity for the year ended December 31, 13						
Increase in share capital	15	95,600,000.00	-	-	-	95,600,000.00
Premium on share capital	15	-	2,239,641,074.97	-	-	2,239,641,074.97
Dividend payment	16	-	-	-	(448,800,000.00)	(448,800,000.00)
Total comprehensive income		-	-	-	1,206,303,602.79	1,206,303,602.79
Appropriated - legal reserve	17	-	-	9,850,000.00	(9,850,000.00)	-
Ending balance as of December 31, 2013		320,000,000.00	2,239,641,074.97	32,000,000.00	1,800,139,013.89	4,391,780,088.86

The accompanying notes to financial statements are an integral part of these statements.

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
(FORMERLY BJC HEAVY INDUSTRIES LIMITED)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF DECEMBER 31, 2012

	NOTE	Issued and paid - up share capital	Premium on share capital	Appropriated legal reserve	Retained earnings	Total
					Unappropriated	
Beginning balance as of January 1, 2012 - as previously reported		224,400,000.00	-	18,600,000.00	319,352,200.02	562,352,200.02
Retrospective adjustment from the effect of changes						
in accounting policy - Income tax	3	-	-	-	891,405.00	891,405.00
Beginning balance as of January 1, 2012 - after adjustment		224,400,000.00	-	18,600,000.00	320,243,605.02	563,243,605.02
Changes in shareholders' equity for the year ended December 31, 12						
Dividend payment	16	-	-	-	(57,000,000.00)	(57,000,000.00)
Total comprehensive income		-	-	-	792,791,806.08	792,791,806.08
Appropriated - legal reserve	17	-	-	3,550,000.00	(3,550,000.00)	-
Ending balance as of December 31, 2012		224,400,000.00	-	22,150,000.00	1,052,485,411.10	1,299,035,411.10

BAHT

The accompanying notes to financial statements are an integral part of these statements.

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
(FORMERLY BJC HEAVY INDUSTRIES LIMITED)

STATEMENTS OF COMPREHENSIVE INCOME
AS OF DECEMBER 31, 2013

BAHT

	NOTE	FOR THE YEAR ENDED DECEMBER 31,	
		2013	2012
			(Restated)
REVENUES			
Contract revenues		3,909,611,972.02	3,613,549,070.31
Other income			
- Gain on exchange rate	19	-	9,544,344.66
- Others		19,281,234.60	29,483,714.31
Total Revenues	20	3,928,893,206.62	3,652,577,129.28
EXPENSES			
Contract cost		2,334,460,119.18	2,567,113,652.84
Selling expenses		36,857,490.38	34,366,160.88
Administrative expenses		281,637,136.79	252,434,861.47
Other expenses			
- Loss on exchange rate	19	56,069,938.89	-
- Other		1,583,241.28	-
Finance costs		812,956.21	588,034.90
Total Expenses	21	2,711,420,882.73	2,854,502,710.09
PROFIT BEFORE INCOME TAX EXPENSES		1,217,472,323.89	798,074,419.19
TAX EXPENSES	23	11,168,721.10	5,282,613.11
PROFIT FOR THE YEAR		1,206,303,602.79	792,791,806.08
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,206,303,602.79	792,791,806.08
BASIC EARNINGS PER SHARE		4.93	3.53
THE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (SHARE)		244,861,370.00	224,400,000

The accompanying notes to financial statements are an integral part of these statements.

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
(FORMERLY BJC HEAVY INDUSTRIES LIMITED)

STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2013

BAHT

	NOTE	FOR THE YEARS ENDED DECEMBER 31,	
		2013	2012
			(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		1,206,303,602.79	792,791,806.08
Adjustments to reconcile net profit to net cash provided by (used in)			
from operating activities			
Interest income		(4,920,304.45)	(6,054,164.94)
Depreciation and amortization		50,352,492.38	39,988,186.18
Interest expenses		812,956.21	588,034.90
Income tax expenses		11,168,721.10	5,282,613.11
Unrealized loss (gain) on exchange rate		20,213,475.97	15,947,400.52
Loss (gain) on sale of property, plant and equipment		(1,420,584.24)	(6,653,727.12)
Employee benefit expenses		1,564,857.00	6,001,906.00
Decrease (increase) in trade receivables		241,186,997.28	(354,066,691.83)
Decrease (increase) in unbilled contract work in progress		(570,808,694.17)	(68,034,086.89)
Decrease (increase) in other receivables		(319,027.98)	(4,471,669.97)
Decrease (increase) in inventory		113,832,137.30	(286,534,883.89)
Decrease (increase) in other current assets - refund claim value added tax		(1,655,408.65)	8,151,278.43
Decrease (increase) in other current assets - advance payment			
for purchase material		20,732,772.00	(27,055,476.21)
Decrease (increase) in other current assets - retention		(123,261,866.21)	(139,993,907.84)
Decrease (increase) in other current assets - refund investment in associate		-	2,764,478.71
Decrease (increase) in current assets - others		564,293.26	(3,954,622.07)
Decrease (increase) in other non - current assets -others		(257,477.36)	(12,413,982.07)
Increase (decrease) in trade payables and accrued contract cost		(156,822,463.07)	209,586,250.07
Increase (decrease) in other payables -income received inadvance		3,639,609.68	(63,602,417.27)
Increase (decrease) in other payables -accrued expenses		4,404,601.03	2,908,996.56
Increase (decrease) in other payables -others		(1,339,726.18)	262,032.41
Increase (decrease) in other current liabilities		2,963,346.25	5,074,373.12
Interest received		4,771,630.16	5,917,878.64
Income tax paid		(3,689,017.27)	(9,402,896.75)
Net cash inflow (outflow) from operating activities		818,016,922.83	113,026,707.88

The accompanying notes to financial statements are an integral part of these statements.

BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
(FORMERLY BJC HEAVY INDUSTRIES LIMITED)

STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2013

BAHT

	NOTE	FOR THE YEARS ENDED DECEMBER 31,	
		2013	2012
			(Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other non - current assets			
advance payment for purchase fixed assets		(155,489,356.95)	(12,961,309.74)
Payment for purchase of property, plant and equipment		(233,398,866.09)	(160,956,345.62)
Payment for purchase of intangible assets		(991,291.80)	(2,592,450.47)
Proceeds from sale of property, plant and equipment		2,634,867.89	13,870,370.15
Net cash inflow (outflow) from investing activities		(387,244,646.95)	(162,639,735.68)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in finance lease obligations		(5,745,835.96)	(4,488,213.44)
Increase in share capital		95,600,000.00	-
Premium on share capital		2,239,641,074.97	-
Dividend payment		(448,800,000.00)	(57,000,000.00)
Interest paid		(812,956.21)	(588,034.90)
Net cash inflow (outflow) from financing activities		1,879,882,282.80	(62,076,248.34)
EFFECT FROM EXCHANGE RATE IN CASH AND CASH EQUIVALENTS		(422,253.50)	(9,140,132.02)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS - NET	CASH	2,310,232,305.18	(120,829,408.16)
AND CASH EQUIVALENTS, BEGINNING OF YEAR	4	26,252,024.98	147,081,433.14
CASH AND CASH EQUIVALENTS, END OF YEAR	4	2,336,484,330.16	26,252,024.98
ACTIVITIES NOT AFFECTING CASH :			
Transfer advance payment for purchase fixed assets to property, plant and equipment		143,095,094.34	15,724,549.74
Increase in equipment by finance lease		4,059,623.20	10,844,794.40

The accompanying notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

1. GENERAL INFORMATION

1.1 General matter

The company was incorporated as a limited company under the Thai Civil and Commercial Code on April 19, 1994. The address of its registered office is 594 Moo 4 Tumbol Makhamkoo, Amphur Nikompattana, Rayong. The company operates in Thailand, and its principal activities are the Manufacture of plant equipment and steel and concrete structure.

At the extraordinary general meeting of the shareholders held on May 7, 2013, the shareholders had a special resolutions to convert the Company to a public limited company and change the company's name from BJC Heavy industry limited to BJC Heavy industry public company limited. These had been registered with the Ministry of commerce on May 9, 2013.

The Company's shares had been approved to be listed in the Stock Exchange of Thailand on 28 November 2013

1.2 Basis for preparation of the financial statements

The financial statements of the company have been prepared in accordance with financial reporting standards and guidelines promulgated by the Federation of Accounting Professions.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

An English language version of the financial statements has been prepared from the statutory financial statements that were issued in Thai language. In case of conflict or difference in understanding, the financial statements in Thai language shall prevail.

1.3 Related parties

Related persons through shareholding and /or directors are as follows :

	Relationship
Mr. Kyu Young Lee	Shareholder and director
Mr. Young Joean Lee	Shareholder and director
Mr. Seung Woo Lee	Shareholder and director
Mr. Seong Jin Lee	Shareholder and director
Mrs. Chanchira Smakthai	Shareholder and director
Mr. Sa Kuk Jung*	Director
Assoc. Prof. Dr. Mr. Ekachidd Chungcharoen	Director
Mr. Boonchuay Korkitrojana	Director
Mr. Noppadol Dheerabutravongkul	Director
Ms. Pakavalee Jearsawatvattana**	Director

* Since March 19, 2013 Mr. Sa Kuk Jung is not related person due to he has resigned from the Company's director.

** She is the Company's director since March 19, 2013.

1.4 Adoption of new financial reporting standards

1.4.1 Financial reporting standards which are effective for the current year

During the year, the Company adopted a member of revised and new accounting standards, issued by the Federation of Accounting Professions, which are effective for financial statements year beginning on or after January 1, 2013 and relevant to the company's business as follows:

Accounting Standards

TAS 12 Income Taxes

TAS 21 The Effects of Changes in Foreign Exchange Rates (revised 2009)

Financial Reporting Standard

TFRS 8 Operating Segments

Adoption of the above financial reporting standards in the current year do not have material effect on the interim financial statements except as state in the note to financial statements 3.

1.4.2 Financial reporting standards which are not effective for the current year

Since year 2010 until the end of year 2013, the Federation of Accounting Professions has issued the revised and new accounting standard, financial reporting standards, accounting standard interpretation and financial reporting standard interpretations, which are effective for financial statements period beginning on or after January 1 in the year indicated as follows:

	Year effective
Accounting Standard	
TAS 1 Presentation of Financial Statements (revised 2012)	2014
TAS 12 Income Taxes (revised 2012)	2014
TAS 17 Leases (revised 2012)	2014
TAS 18 Revenue (revised 2012)	2014
TAS 24 Related Party Disclosures (revised 2012)	2014
TAS 28 Investments in Associates (revised 2012)	2014
TAS 31 Interests in Joint Venture (revised 2012)	2014
TAS 34 Interim Financial Reporting (revised 2012)	2014
Financial Reporting Standard	
TFRS 2 Share - Based Payments (revised 2012)	2014
TFRS 3 Business Combinations (revised 2012)	2014
TFRS 4 Insurance Contracts (revised 2012)	2016
TFRS 5 Non - current Assets Held for Sale and Discontinued Operations (revised 2012)	2014
TFRS 8 Operating Segments (revised 2012)	2014
Accounting Standard Interpretations	
TSIC 15 Operating Leases - Incentives	2014
TSIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2014
TSIC 29 Service Concession Arrangements: Disclosures	2014
TSIC 32 Intangible Assets - Web Site Costs	2014
Financial Reporting Standard Interpretations	
TFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	2014
TFRIC 4 Determining whether an Arrangements contains a Lease	2014
TFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	2014
TFRIC 7 Applying the Restatement Approach under TAS 29	
Financial Reporting in Hyperinflationary Economies	2014
TFRIC 10 Interim Financial Reporting and Impairment	2014
TFRIC 12 Service Concession Arrangements	2014
TFRIC 13 Customer Loyalty Programmers	2014
TFRIC 17 Distributions of Non - cash Assets to Owners	2014
TFRIC 18 Transfers of Assets from Customers	2014

The management of the Company has assessed that TAS 1 (revised 2012), TAS 12 (revised 2012), TAS 17 (revised 2012), TAS 18 (revised 2012), TAS 24 (revised 2012), TAS 34 (revised 2012) and TFRS 8 (revised 2012) will not have material impact on the financial statements when it is applied. For the other TAS, TFRS, TSIC and TFRIC are not relevant to the Company's business, therefore they do not have impact on the financial statement when they are applied.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Revenues recognition

Contract Revenues are recognized as revenue on the percentage of completion method calculated based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs and results of assessment performed by engineer of the Company.

2.2 Cash and cash equivalents

Cash and cash equivalents shown on the statements of cash flows are cash on hand, deposits at banks on saving accounts and current accounts.

2.3 Unbilled contract work in progress

Unbilled contract work in progress comprises the costs of materials and labor, subcontractor charges, services and overheads plus the attributable net gains or losses less the amounts already billed to customers.

The excess of the value of a construction contract in progress over the amount billed to the customer is presented as current assets. The excess of the amount billed to a customer over the value of the construction contract in progress is presented as "Income received in advance" under current liabilities.

2.4 Inventories

Raw material and supplies are stated at the lower of cost (first - in, first - out method) or net realisable value.

2.5 Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation is calculated on the straight-line method based on the estimated useful lives the assets are as follows :

	YEARS
Building	10 - 20
Machinery and equipment	5 - 20
Furniture, fixture and office equipment	3 - 5
Vehicles	3 - 10

2.6 Intangible assets

Computer software is stated at cost net of accumulated amortization. Amortization is calculated on the straight - line method based on the estimated useful lives of 5 - 10 years.

2.7 Finance leases agreements

The Company records vehicle under finance leases, as assets and liabilities in the balance sheets at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. The interest charge is recorded to periods during.

2.8 Financial instruments

Financial instruments on the balance sheets included cash and cash equivalents, trade receivables and payables, accrued expenses, and finance lease obligations. The particular recognition methods adopted are disclosed in the individual policy statements associated with each items.

2.9 Foreign currency transactions

Transactions in foreign currencies are converted at the exchange rate of the transaction date. Assets and liabilities in foreign currencies at the end of year are converted at average bank buying and selling rate at that date respectively.

Gain or loss from translations are included in determining earnings.

2.10 Basic earnings per share

Basic earnings per share is determined by dividing net profit by weighted average number of issued and fully paid up shares capital.

2.11 Accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ.

2.12 Employee benefits

Salaries, wages, bonuses, contributions to the social security fund and other benefits are recognized as expenses when incurred.

Retirement benefit

Severance Payment as specified in Thai Law are recognized as expenses in the comprehensive income statement along the service period of employees. The Company's post - employment benefit obligations are estimated by a qualified actuary under the actuarial assumption using the Projected Unit Credit Method.

However, the actual benefit obligation may be different from the estimate.

The company recognized the actuarial gains of losses arising from defined benefit plan in the period incurred in other comprehensive income.

2.13 Income tax

- Income tax for the year comprises current and deferred tax. Current and deferred tax are recognized in the statement of income except to the extent that they relate to business combination or items recognized directly in equity or other comprehensive income.

- Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

- Deferred tax is recognized 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 measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

- 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.

This is a change in accounting policy as previously the Company did not recognize deferred tax. The effects of the change on the financial statements are disclosed in the note to financial statements 3.

3. EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

During the current year, the Company have changed the accounting policies of income tax, as a result of the adoption of TAS 12 Income Taxes, which is applied retrospectively on the previous period's financial statements.

The amount of adjustments affecting the statement of financial position as of December 31, 2012 and January 1, 2012 are summarized below.

BAHT

	As of December 31, 2012		
	As previously reported	Effect of the Changes in Accounting policy	As restated
Asset			
Deferred tax assets	-	2,063,848.88	2,063,848.88
Shareholders' equity			
Retained earnings-Unappropriated	1,050,421,562.22	2,063,848.88	1,052,485,411.10

BAHT

	As of January 1, 2012		
	As previously reported	Effect of the Changes in Accounting policy	As restated
Asset			
Deferred tax assets	-	891,405.00	891,405.00
Shareholders' equity			
Retained earnings-Unappropriated	319,352,200.02	891,405.00	320,243,605.02

The amounts of adjustments affecting the statements of income for the year ended December 31, 2012 are summarized below.

BAHT

	As previously reported	Effect of the Changes in Accounting policy	As restated
Tax expenses	6,455,056.99	(1,172,443.88)	5,282,613.11
Profit for the year	791,619,362.20	1,172,443.88	792,791,806.08
Basic earnings per share	3.53	-	3.53

The amounts of adjustments affecting the statements of income for the year ended December 31, 2013 are summarized below.

BAHT

Profit for the year before effect of change in accounting policy	1,206,259,829.07
Decrease (increase) in income tax	43,773.72
Profit for the year after effect of change in accounting policy	1,206,303,602.79
Basic earnings per share	4.93

4. CASH AND CASH EQUIVALENTS

BAHT

	As of December 31,	
	2013	2012
Cash	124,376.00	1,709.00
Deposits at banks	2,336,359,954.16	26,250,315.98
Total cash and cash equivalents	2,336,484,330.16	26,252,024.98

5. TRADE RECEIVABLES

As of December 31, 2013 and 2012, the trade receivables are classified by aging as follows :

BAHT

	As of December 31,	
	2013	2012
Current	162,064,975.07	364,828,397.09
Overdue		
Less than 3 months	163,499,456.46	155,068,501.31
Over 3 months to 6 months	-	10,873,289.35
Over 6 months to 12 months	-	36,173,112.19
Over 12 months	844,448.63	-
Total	<u>326,408,880.16</u>	<u>566,943,299.94</u>

Trade receivable which overdue over 12 months, the Company expects to receive the money within year 2014.

6. UNBILLED CONTRACT WORK IN PROGRESS AND INCOME RECEIVED IN ADVANCE

BAHT

	As of December 31,	
	2013	2012
Unbilled contract work in progress		
Project value as per contract	<u>7,308,030,117.84</u>	<u>2,018,504,834.06</u>
Accumulated amount recognized as revenue on percentage of completion basis	<u>6,178,792,536.33</u>	<u>820,081,694.73</u>
Less Value of total billed	<u>(5,511,672,017.00)</u>	<u>(723,769,869.57)</u>
Unbilled contract work in progress	<u>667,120,519.33</u>	<u>96,311,825.16</u>
Income received in advance		
Project value as per contract	<u>18,978,792.68</u>	<u>-</u>
Value of total billed	<u>13,037,907.81</u>	<u>-</u>
Less Accumulated amount recognized as revenue on percentage of completion basis	<u>(9,398,298.13)</u>	<u>-</u>
Income received in advance	<u>3,639,609.68</u>	<u>-</u>

7. OTHER RECEIVABLES

BAHT

	As of December 31,	
	2013	2012
Prepaid expenses	14,185,584.83	11,975,830.91
Advance	2,438,844.59	3,908,564.79
Others	<u>749,224.00</u>	<u>1,170,229.74</u>
Total	<u>17,373,653.42</u>	<u>17,054,625.44</u>

8. INVENTORY

BAHT

	As of December 31,	
	2013	2012
Raw material and supplies	307,613,330.91	489,046,524.00
Goods in transit	77,544,561.81	9,943,506.02
Total	<u>385,157,892.72</u>	<u>498,990,030.02</u>

9. LIQUIDATION RECOVERABLE INVESTMENT IN ASSOCIATE

Liquidation recoverable investment in associate is investment in Thermal Engineering Service Ltd. which its type of business is Engineering design. The Company hold 20% of authorized share capital of Baht 14.40 million. Previously, the investment is recorded by equity method in the financial statements in which the equity method is applied and recorded by cost method in the separate financial statements. However, the company had been registered to dissolve on November 25, 2011 and registered to complete liquidation on February 23, 2012.

10. PROPERTY, PLANT AND EQUIPMENT - NET

BAHT

	Land	Building	Machinery and equipment	Fixture, furniture and office equipment	Vehicles	Work in progress	TOTAL
Cost							
As of December 31, 2012	53,613,166.88	101,529,863.07	341,394,660.75	25,443,964.16	75,879,666.85	44,968,095.44	642,829,417.15
Additions	-	306,000.00	45,585,726.37	22,747,532.18	9,071,670.24	302,842,654.85	380,553,583.64
Disposals	-	(20,036.00)	(6,019,405.79)	(994,029.73)	(1,263,150.70)	-	(8,296,622.22)
Transfer	-	98,115,332.50	140,919,241.15	352,640.00	1,306,897.20	(240,694,110.85)	-
As of December 31, 2013	53,613,166.88	199,931,159.57	521,880,222.48	47,550,106.61	84,995,083.59	107,116,639.44	1,015,086,378.57
Accumulated depreciation							
As of December 31, 2012	-	(29,935,581.92)	(130,019,047.75)	(9,415,441.05)	(26,947,532.33)	-	(196,317,603.05)
Depreciation for the year	-	(7,127,107.91)	(31,732,650.69)	(4,849,247.10)	(5,620,616.68)	-	(49,329,622.38)
Disposals	-	3,886.44	4,839,099.16	984,053.65	1,255,299.31	-	7,082,338.56
As of December 31, 2013	-	(37,058,803.39)	(156,912,599.28)	(13,280,634.50)	(31,312,849.70)	-	(238,564,886.87)
Net book value							
As of December 31, 2012	53,613,166.88	71,594,281.15	211,375,613.00	16,028,523.11	48,932,134.52	44,968,095.44	446,511,814.10
As of December 31, 2013	53,613,166.88	162,872,356.18	364,967,623.20	34,269,472.11	53,682,233.89	107,116,639.44	776,521,491.70

Depreciation charges for the year amounted to Baht 49,329,622.38 in year 2013 and Baht 39,211,584.10 in year 2012 are included in determining earnings.
As of December 31, 2013 and 2012, the Company has fully depreciates fixed assets but are still in use in the original cost of Baht 76.00 million and Baht 39.25 million respectively.
As of December 31, 2013 and 2012, a part of land are mortgaged to a local bank as collateral for credit line of bank overdraft and letter of guarantee amount of Baht 202.91 million.

As of December 31, 2013 and 2012, the Company has the assets under finance lease agreements in the original cost and accumulated depreciation as follows :"

	As of December 31,		BAHT
	2013	2012	
Cost of finance lease assets	32,663,197.98	27,799,757.80	
Less Accumulated depreciation	(2,957,788.94)	(2,889,764.68)	
Net book value	29,705,409.04	24,909,993.12	

11. INTANGIBLE ASSETS - NET

BAHT

Computer software	
COST	
As of December 31, 2012	5,944,782.75
Additional	991,291.80
Decrease	-
As of December 31, 2013	6,936,074.55
ACCUMULATED AMORTIZATION	
As of December 31, 2012	(1,671,559.59)
Amortization for the year	(1,022,870.00)
Decrease	-
As of December 31, 2013	(2,694,429.59)
NET BOOK VALUE	
As of December 31, 2012	4,273,223.16
As of December 31, 2013	4,241,644.96

Amortization expenses for the years amounted to Baht 1,022,870.00 in year 2013 and Baht 766,493.81 in year 2012 are included in determining earnings.

12. CREDIT FACILITIES

As of December 31, 2013 and 2012, the Company has credit facilities with two banks for overdraft and loan facilities which are guaranteed by bank deposit, mortgaged part of land and building and a director of the Company as follows :

	As of December 31,		MILLION BAHT
	2013	2012	
Overdraft and loan facilities	50.00	50.00	
Letter of Guarantee - Existing facilities	390.00	390.00	
Letter of Guarantee, Letter of credits and trust receipts - New facilities	1,251.71	1,251.71	

13. FINANCE LEASE OBLIGATIONS

	BAHT	
	2013	2012
Finance lease obligations - Vehicle	14,498,085.94	16,487,599.02
Less Deferred interest	(976,806.51)	(1,280,106.83)
	13,521,279.43	15,207,492.19
Less Current portion	(6,269,983.81)	(5,526,370.42)
Finance lease obligations - net	7,251,295.62	9,681,121.77

As at December 31, 2013 and 2012, the Company has finance lease obligations with the period of payment as follows :

	BAHT		
	2013		
	Principal	Deferred interest	Total
Payment due within 1 year	6,269,983.81	542,097.19	6,812,081.00
Payment due over 1 year to 5 years	7,251,295.62	434,709.32	7,686,004.94
Total	13,521,279.43	976,806.51	14,498,085.94

	BAHT		
	2012		
	Principal	Deferred interest	Total
Payment due within 1 year	5,526,370.42	603,893.58	6,130,264.00
Payment due over 1 year to 5 years	9,681,121.77	676,213.25	10,357,335.02
Total	15,207,492.19	1,280,106.83	16,487,599.02

Under the term of lease contracts referred to above, the Company have the right to purchase the assets at the quoted price at the expiry date of the leases contracts and the Company have to comply with certain conditions and restriction as specified in the lease contracts.

14. EMPLOYEE BENEFIT OBLIGATION

Movement in the present value of the employee benefit obligation	BAHT
- Employee benefit obligation as of January 1, 2013	8,973,256.00
- Benefits paid	-
- Current service cost and interest	1,564,857.00
- Actuarial gain (loss)	-
- Employee benefit obligation as of December 31, 2013	10,538,113.00

Expenses recognised in profit for the year ended December 31, 2013 and 2012

	2013	2012
- Current service costs	1,246,569.00	1,074,816.00
- Interest cost	318,288.00	99,439.00
- Actuarial gain (loss)	-	4,827,651.00
Total	1,564,857.00	6,001,906.00

Principal actuarial assumptions as of December 31, 2013 and 2012

	PERCENT
Discount rate	3.5474
Salary increase rate	5
Employee turnover rate	0-0.15*
Mortality rate	TMO2008**

* Based on the weighted average by age group of employees

** Reference from TMO2008 : Thai Mortality Ordinary Table 2008

15. SHARE CAPITAL

At the Annual General Meeting of the shareholders on March 18, 2013 the shareholders approved a special resolution to increase in the authorized share capital from Baht 224,400,000.00 (2,244,000 shares of Baht 100.00 each) to Baht 240,000,000.00 (2,400,000 shares of Baht 100.00 each). This was registered with the Ministry of Commerce on March 18, 2013

At the Extraordinary General Meeting of Shareholders on May 7, 2013 the shareholders had a special resolution to decrease the par value of the ordinary share from Baht 100.00 per share to Baht 1.00 per share. As a result, the total number of Company's shares increase from 2.4 million shares to 240 million shares. And to increase the authorized share capital from Baht 240 million (240 million ordinary shares of Baht 1.00 each) to Baht 320 million (320 million ordinary shares of Baht 1.00 each). These were registered with the Ministry of Commerce on May 9, 2013.

During November 19-22, 2013, the Company offered 80.00 million ordinary shares, with a par value of Baht 1 each, at a price of Baht 30 each through the Initial Public Offering. The Company proceeds of Baht 2,400 million which is share capital of Baht 80 million (80 million ordinary shares of Baht 1 each) and premium on share capital of approximately Baht 2,239.64 million (net of subscription expenses of approximately Baht 80.36 million). The Company registered the paid up share capital with the Ministry of Commerce on 25 November 2013.

16. DIVIDEND PAYMENT

At the Annual General Meeting of the shareholders on March 18, 2013 the shareholders approved to pay dividend from the result of its operation in year 2012 at Baht 100 per share total amount of baht 224.40 Million and paid on March 29, 2013. At the Board of Directors Meeting No.2/2556 on March 28, 2013, Directors approved to pay interim dividend from retained earnings at Baht 100 per share total amount of Baht 224.40 Million and paid on April 26, 2013.

At the Annual General Meeting of the shareholders on April 30, 2012 the Shareholders approved to pay dividend at Baht 25.40 per share total amount of Baht 57 Million and paid on June 25, 2012.

17. LEGAL RESERVE

Under the Public Limited Companies Act., the Company is required to set aside as legal reserve of at least 5% of its net profit of each year after deduction of deficit (if any) until the reserve reaches 10% of authorized share capital. This reserve is not available for dividend distribution.

18. PROVIDENT FUNDS

The Company has established the provident fund for its employee in year 2013. Each employee to contribute 5% of the gross salary and the Company contributes the same amount. The fund is managed by a local finance institution under Provident Fund Act. (B.E.2530) and Provident Fund Act. (No.2 B.E.2542).

The Company has contributed to the fund for the year ended December 31, 2013 amounted to Baht 1.86 million.

19. GAIN ON EXCHANGE

	BAHT	
	2013	2012
Realized gain (loss)	(35,856,462.92)	25,491,745.18
Unrealized gain (loss)	(20,213,475.97)	(15,947,400.52)
Total	<u>(56,069,938.89)</u>	<u>9,544,344.66</u>

20. REVENUES

Revenues from the BOI - promoted and non - promoted industries for the years ended December 31, 2013 and 2012 are as follows :

	BAHT		
	2013		
	Boi - Promoted Industries	Non - Promoted Industries	Total Revenues
Contract revenues - Export	3,698,095,906.92	211,516,065.10	3,909,611,972.02
Contract revenues - Local	-	-	-
Other income	1,771,008.40	17,510,226.20	19,281,234.60
Total Revenues	<u>3,699,866,915.32</u>	<u>229,026,291.30</u>	<u>3,928,893,206.62</u>

	BAHT		
	2012		
	Boi - Promoted Industries	Non - Promoted Industries	Total Revenues
Contract revenues - Export	3,483,823,970.88	129,725,099.43	3,613,549,070.31
Contract revenues - Local	-	-	-
Gain (loss) on exchange rate	33,806,797.94	(24,262,453.28)	9,544,344.66
Other income	24,825.91	29,458,888.40	29,483,714.31
Total Revenues	<u>3,517,655,594.73</u>	<u>134,921,534.55</u>	<u>3,652,577,129.28</u>

21. EXPENSES BY NATURE

The expenditure items of expenses classified by nature for the years ended December 31, 2013 and 2012 are as follows :

	2013	2012
Raw material and supplies use	1,454,951,739.08	1,827,003,841.34
Employee expenses	519,124,612.53	473,537,164.82
Services cost	289,128,375.35	215,805,226.66
Labour cost	165,594,563.76	99,143,777.03
Depreciation and amortization	50,352,492.38	39,978,077.91

22. INCOME TAX

The Company received promotional privileges from the Board of Investment including exemption from corporate income tax in BOI - promoted industries (as stated in the note to financial statement 28).

The income tax rate being used in year 2012 of the Company is 23%. The income tax rate being used in year 2013 and subsequent year are 20%.

23. TAX EXPENSES

Tax expenses for the year ended December 31, 2013 and 2012 consisted of:

	2013	2012
		(Restated)
Current tax expense	11,212,494.82	6,455,056.99
Deferred tax expense (income) of Temporary difference	269,197.68	207,994.50
Effect to deferred tax from change of tax rate	(312,971.40)	(1,380,438.38)
Tax expense reported in statement of comprehensive income	<u>11,168,721.10</u>	<u>5,282,613.11</u>

Reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rates for the year ended December 31, 2013 and 2012 as follow:

	BAHT	
	2013	2012
		(Restated)
Accounting profit before tax	1,217,472,323.89	798,074,419.19
Applicable tax rate	20%	23%
Accounting profit before tax multiplied by applicable tax rate	11,212,494.82	6,455,056.99
Effect of adjustment deferred tax	269,197.68	207,994.50
Deferred tax asset item	(312,971.40)	(1,380,438.38)
Tax expense reported in statements of income	11,168,721.10	5,282,613.11

The components of deferred tax asset is as follows:

	BAHT		
	As of December 31, 2013	As of December 31, 2012	As of January 1, 2012
Deferred tax assets			
Employee benefit obligation	2,107,622.60	2,063,848.88	891,405.00

24. EARNINGS PER SHARE

According to the change of par value of the share capital as stated in the note to financial statement 15, the Company had adjusted the weighted average number of shares used in the recalculation of the earnings per share for the year ended December 31, 2012 to reflect the effect of the change of number of share capital to earnings per share for the year ended December 31, 2012 as follows :

For the year ended December 31, 2012

	Formerly	Adjusted
Number of shares (shares)	2,244,000	224,400,000
Earnings per share (Baht)	353.29	3.53

25. TRANSACTIONS WITH RELATED PARTIES

25.1 The outstanding balance of significant business transactions with related person as of December 31, 2013 and 2012 are as follows :

MILLION BAHT

	2013	2012
The outstanding balances		
Prepaid Expense		
Mrs. Chanchira Smakthai	0.07	-
Guarantee		
Mrs. Chanchira Smakthai	0.21	-

The transactions with related person for the years ended December 31, 2013 and 2012 are as follows :

MILLION BAHT

	2013	2012	Transfer pricing policy
The transactions during the year			
Mrs. Chanchira Smakthai			
Rental expenses	0.42	-	At the price agreed up on By both parties and under Fair value

25.2 MANAGEMENT BENEFIT EXPENSES

Management benefit expenses for the years ended December 31, 2013 and 2012 as follows :

	MILLION BAHT	
	2013	2012
Short-term employee benefits	21.57	12.97
Post employee benefits	0.16	0.40
Total	21.73	13.37

26. SEGMENT INFORMATION

The operations of the Company principally involve the Manufacture of plant equipment and structure and the most of revenue arising from customers in the single geographic area of oversea. For these reason, financial information has not been presented by industry segment.

Major customer information

In year 2013 the Company has earned from 2 major customers from Overseas operating amounting to Baht 3,909.61 million.

27. CONTRACTS IN PROGRESS

As of December, 2013 and 2012, the Company has the aggregate amount of costs incurred and recognized profit to date approximately amounted to Baht 2,751.25 million and Baht 2,944.67 million respectively.

28 INDUSTRIAL PROMOTIONAL PRIVILEGES

The Company received promotional privileges from the Board of Investment and existing as of September 30, 2013 and December 2012 as follows:

No. 1 Promotional certificate dated December 15, 2009 is for steel structure. The main privileges include exemption from corporate income tax for the promoted activities for a period of 5 years from the date revenue is first derived (December 31, 2009).

No.2 Promotional certificate dated February 25, 2011 is for steel structure. The main privileges include exemption from corporate income tax for the promoted activities for a period of 5 years from the date revenue is first derived (September 8, 2011).

No. 3 Promotional certificate dated September 4, 2012 is for steel structure. The main privileges include exemption from corporate income tax for the promoted activities for a period of 5 years from the date revenue is first derived. (September 30 2012).

The company has additional tax incentive under the Skill , Technology and Innovation(STI)

Scheme. Corporate income tax exemption in addition to those received on the basis of the Board of Investment Announcement No.1/2543 and 2/2543. On additional year of corporate income tax exemption will be received if there are investments of expenditures in research and development or design, in advance technology training , in supporting an education or research institution or the donation to Technology and Human Resources Development Fund, on the condition that such investments or expenditures are not less than 1 percent of the revenue from the investment project in the first 3 year, or not less than 150 million Baht, whichever is less of the BOI No.1 and No.2

To be entitled to the privileges, the Company must comply with the terms and conditions as specified in the promotional certificates.

29. CONTINGENT LIABILITIES

As of December 31, 2013 and 2012, the Company has contingent liabilities to banks for letters of guarantee as follow :

	MILLION	
	2013	2012
BAHT	17.41	16.36
US DOLLAR	2.24	0.83
AUSTRALIA DOLLAR	22.67	21.23
EURO	0.02	1.03
SINGAPORE DOLLAR	-	0.06
YEN	-	11.00

30. FINANCIAL INSTRUMENTS**Foreign currency risk**

The Company is exposed to foreign currency risk primarily to foreign currency denominated assets and liabilities. For the year ended December 31, 2013, the company has entered into the foreign currency forward contracts with a local bank to be a risk management instrument. The company will recognize in its financial statements at the end of contracts. The arising difference will be recorded in the statement of comprehensive income.

As of December 31, 2013 and 2012 the balance of foreign currency assets and liabilities are as follows :

MILLION

	2013	2012
Foreign currency denominated assets		
Bank deposits		
- US DOLLAR	-	0.08
- AUSTRALIA DOLLAR	7.45	0.48
Trade receivables		
- US DOLLAR	0.01	1.29
- AUSTRALIA DOLLAR	11.14	38.64
Advance payment for purchase of material		
- AUSTRALIA DOLLAR	0.27	0.84
Advance payment for Fix Asset		
- AUSTRALIA DOLLAR	0.05	-
Deposit		
- AUSTRALIA DOLLAR	0.03	0.03
Retention		
- AUSTRALIA DOLLAR	8.50	4.51
Foreign currency denominated liabilities		
Trade payables		
- US DOLLAR	0.90	3.62
- AUSTRALIA DOLLAR	2.31	2.45
- EURO	0.07	0.64

As of December 31, 2013, the company has forward contracts for risk management instrument as follow :

Foreign currency	Sold amount	Contractual exchange rate	Contractual maturity date
AUSTRALIA	1,000,000.00	28.8820	3 February 2014
DOLLAR	2,000,000.00	29.1620	3 February 2014

Interest rate risk

The Company exposure to interest rate risk relates primarily to its cash at banks. However, since most of the Company financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Credit risk

The Company is exposed to credit risk deal with the construction receivables. However, due to the majority construction contracts of Company are made with creditworthy customers, it does not anticipate material losses from its collection from trade receivables.

Fair value

The managements believe that the fair value of the Company's financial assets and liabilities does not materially differ from their carrying value.

31. LONG-TERM LEASE AGREEMENT

The Company has signed a land lease agreement with a person for a period of 2 years and 6 months from November 1, 2012 to April 30, 2015. The Company is committed to pay fees at the rate specified in the agreement.

Rental fee for the year amounted to baht 1,200,000 is included in determining earnings

Future minimum payment under the above operating lease agreement is as follow:

	MILLION BAHT
Not later than one year	1.20
Later than one year and not later than five years	0.40

32. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the financial statements as presented herein for comparative purpose have been reclassified to conform with the current year's classifications, with no effect on the net profit or shareholders' equity as previously reported. The significant reclassifications are as follows:

	As previously reported	Reclassifications	After reclassifications
Statement of financial position			
- Other current assets - retention	142,092,464.80	(101,634,025.12)	40,458,439.68
- Other non-current assets - retention	-	101,634,025.12	101,634,025.12
- Other non-current assets	8,176,372.24	(8,176,372.24)	-
- Other non-current assets			
- Advance payment for machinery	-	481,500.00	481,500.00
- Other current liabilities - others	-	7,694,872.24	7,694,872.24

The reclassifications have been made to comply with the nature of transactions.

33. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by an authorized director of the Company on February 24, 2014.



BJC HEAVY INDUSTRIES PUBLIC COMPANY LIMITED
WWW.BJC1994.COM