

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

PERFORMANCE OVERVIEW

The Company engages in providing engineered and customized products and services in Steel Fabrication, Modularization, Site Erection and Precast Concrete on a contract or purchase order basis. Workstream channels involve both Engineering, Procurement and Construction (EPC) contractors and Direct Project Owners. Our products and services are used in various industries including refining, power, gas, petrochemical, energy and mining. While the recent focus has been on customers in mining and the oil and gas industries located in Australia and South America, the Company has successfully undertaken large-scale projects for customers across six continents. Since 1994, BJCHI has continued to grow in terms of capacity and capabilities, customer base, range of products and services and financial results.

For the financial statement for the year ending 31 December 2014, the Company changed its accounting policy to follow the No.12th Accounting Standard for income taxes and then also restating the previous financial statements. Accordingly, effects of this change on the 2013 and 2014 financial statements include: 1) net deferred taxes on assets, 2) unappropriated retained earnings, 3) income tax expenses, and 4) profits and losses

REVENUE

Contracted Revenue

In 2014, The Company recorded contracted revenues of 4,521.58 million baht , increasing 15.65 % from 3,909.61 million baht in 2013. The revenue growth was driven mainly by realization of continuous revenues from 1) the wellhead separator project for Australia Pacific LNG Pty Limited ("APLNG"), 2) the mining projects for the EPC Contractor Laing O'Rourke Australia Construction Pty Limited ("LOR"), and 3) the FPSO (Floating Production Storage & Offloading) modules project for QGI Oil and Gás Inc. ("QGI"), which is an EPC contractor for the oil major Petrobras in Brazil.

The Company started the APLNG's modularization work for gas exploration and drilling in Australia in June 2011 with the original project value of 5,391.02 million baht . Due to exceptional quality and on-time delivery of our products and services, the Company was awarded additional projects from APLNG, increasing the total project value to 7,424.81 million baht and underpinning the growth in Company's contracted revenues from 2011 until 2014. The Phase 2 of the APLNG wellhead separator project (FID2) is expected to complete in Q1/2015.

For LOR, the Company has successfully delivered several projects since 2011. The Cape Lambert Phase B and Phase C projects were completed in the second quarter of 2014. Our ability to continue delivering exceptional quality and meeting the schedule requirements led to the Company being awarded the steel structure project for the Roy Hill mining project in Australia with a project value of 597.52 million baht

For the Petrobras FPSO modules project, the Company secured the project through QGI Oil and Gás Inc. ("QGI") in early 2014. The work scopes entail providing steel structures and piping spools for 9 modules and modularizing 3 critical modules on FPSO, namely the modules for the flare system, utilities and the pig launcher. Steel fabrication work commenced in Q2/2014, while the piping spool fabrication and modularization work started in Q4/2014. This QGI project will be completed in 2015.

In addition to the large-scale projects mentioned above, there were 4 other smaller projects executed in 2014.

The Company contract revenue in 2013 and 2014 were 99.51% and 98.70% of total revenue respectively. The revenue structure varied each year depending on project (mining, oil & gas, other), customer (EPC contractors vs. direct project owners) and product (fabrication, modularization, other) mixes. Almost all work was completed at the Company's facilities, and the finished products were delivered to the customers at the port agreed with customers. During 2013-2014, the Company increased its focus on fabrication and modularization and did not provide any site erection services and precast concrete products. As a result, The Company's revenue structure can be divided into 2 main categories: 1) steel fabrication and 2) modularization.

Revenue Structure	2013		2014	
	Amount	%	Amount	%
Steel Fabrication	591.11	15.05	1,541.81	33.66
Steel Structure	590.81	15.04	966.25	21.09
Piping Fabrication	-	-	207.83	4.54
Storage Tank	0.30	0.01	367.73	8.03
Modularization	3,318.50	84.46	2,979.77	65.04
Total contracted revenue	3,909.61	99.51	4,521.58	98.70
Other income¹	19.28	0.49	59.75	1.30
Total revenues	3,928.89	100.00	4,581.33	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 such as galvanizing and grating (see more in the section for Other Revenues).

As shown in the table above, Steel Fabrication contributed 1,541.81 million baht to revenue in 2014, representing 33.66% of total revenues. Additionally, steel structure work was 966.25 million baht rising from 591.11 million baht because the FPSO project from Petrobras has been commenced since the second half of 2014

The Company's revenues from modularization works were 2,979.77 million baht in 2014, falling 10.21% from 3,318.50 million baht in 2013. This decline in revenues from modularization was mainly due to the decreasing revenues from the APLNG project while the major scope of modularization work for the Petrobras project was planned for completion in 2015. Based on current view of the future projects, the proportion of revenue relating to modularization is expected to rise in 2015 and beyond.

Revenue recognition is based on the percentage of completion method, calculated from the project progress jointly assessed by the project engineer and the customer and from proportion of contract costs incurred for the work performed-to-date when compared to the estimated total contract costs.

Description	2013	2014
Unrealized project value (at the beginning of period)	3,941.98	1,517.40
Additional contract value during the period	1,485.03	6,453.84
- New project value	1,157.34	5,559.24
- Addition work value	327.69	894.60
Realized project value during the period	3,909.61	4,521.58
Unrealized project value (at the end of period)	1,517.40	3,449.66

In 2014, the Company was awarded additional contracts with an aggregate value of 6,453.84 million baht. The new projects were from QGI (Petrobras FPSO modules project), LOR (Cape Lambert and Roy Hill projects) and APLNG (Wellhead Separator project). In addition, the Company received additional work scopes within the existing projects totaling 894.60 million baht. Overall, the revenue increased 16% to 4,521.58 million in 2014 and ended the year on December 31, 2014 with a backlog of 3,449.66 million baht.

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● Other Income

The Company's other income comprised service incomes for galvanizing and grating, interest income and profit from selling assets and steel scrap. In 2014, its other income rose by 19.28 million baht to 59.75 million baht, accounting for 1.30% of total revenue. The galvanizing scopes were previously outsourced to external service providers, which contributed to increased lead-time and decreased control over delivery schedule and product quality. During 2013, the Company made its investment in the galvanizing shop to be used as part of the Company production process with the purpose to enhance the quality of work and on time delivery. When access capacity is available, galvanizing service is being provided to other fabricators in Thailand, contributing to other revenue (Also see more in Costs and Expenses).

COSTS AND EXPENSES

● Cost of contracted works

In 2014, the cost of contracted works increased 36.56% to 3,187.85 million baht from 2,334.46 million baht in 2013 in line with the rise in the company contract revenue. Revenue from EPC contractor accounted for 71.98% of the contract revenue as compared to only 15.15% in 2013. In addition, the proportion of realized revenue from modularization work, which results in higher margins due to its complexity in scope, declined from 84.88% of the contract revenue in 2013 to 65.04% of the contract revenue or 2,979.77 million baht in 2014. These factors have overall contributed to lowered gross profit margins in 2014 when compared to 2013.

● Selling, General, and Administrative Expenses

Selling, General, and Administrative Expenses (SG&A) was 349.12 million baht, responsible for 7.72% of contract revenue in 2014. SG&A rose 9.61% from 318.50 million baht in 2013. The details are as follows.

1) Selling Expenses

In 2014, selling expenses were recorded at 46.86 million baht, rising 27.13% from 36.86 million baht in 2013. The rise in selling expenses in 2014 was driven by the increase in larger-scale projects requiring increased transportation costs. Selling expenses, however, accounted for only by 1.04% of the contract revenue.

2) General and Administrative expenses

General and Administrative expenses in 2014 was 302.26 million baht rising from 281.64 million in 2013. The main causal factors for the rise include employees' salary, bonus and welfare in line with the increase in the number of staff and workers to support the Company business expansions.

● Foreign Exchange Loss

In 2014, The Company booked foreign exchange loss of 23.73 million baht compared to 56.07 million baht in 2013. The FX losses in 2014 mostly took place in 2H2014 due to the depreciation of Australian dollars versus the Thai Baht by 13.93% (exchange rate data from Bank of Thailand), which were partially offset by the FX gains in 1H2014. Having adopted the foreign exchange risk management policy from mid-2013, the Company was able to limit the realized FX losses. Total FX losses of 23.73 million baht in 2014 results from net unrealized FX losses of 55.63 million baht partially offset by net realized FX gains of 31.90 million baht.

Profitability	2013		2014	
	Amount	%	Amount	%
Gross Profit	1,575.15	40.29	1,333.73	29.50
Net Profit	1,206.30	30.70	1,003.67	21.91

● Gross Profit Margin

In 2014, Gross Profit Margin was 29.50% of the contract revenue down from 40.29% in 2013 due largely to the changes in customer (EPC contractors vs. direct project owners) and product (fabrication, modularization, other) mixes. Proportion of revenue from with APLNG has decreased, where the modularization work with higher complexity and the customer being a direct project owner resulted in higher gross profit margins. In 2014, most projects were awarded from EPC contractors, responsible for 71.98% as compared to 15.12% in 2013 of the contract revenue. At the same time, in 2014 steel fabrication shared the higher portion as compared to that in 2013.

● Net Profit Margin

The Company recorded Net Profit Margin of 21.91% in 2014 compared to 30.70% in 2013, while the 2014 Net Profit was 1,003.67 million baht down from 1,206.30 million baht in 2013, which represents a fall of 16.80%. This decline is driven by the same factors cited above.

FINANCIAL POSITION

ASSET

As of December 31 2014, the Company's total assets were 5,328.14 million baht increasing from 4,836.42 million baht at the end of 2013. The increase in assets were primarily triggered by investments into plant, machinery and equipment, build-up of inventory to support increased project activities and software upgrades.

● Cash and Cash Equivalents

At the end of 2014, the Company had cash and cash equivalents of 265.24 million baht, dropping from 2,336.48 million baht at the end of 2013. This drop in cash levels principally resulted from successfully executing the strategy for utilizing the funds from the Initial Public Offering (2,319.64 million baht, net of all related expenses) and dividend payments, partially offset by cash generated from operating activities.

The IPO fund has been 1) utilized to invest into further modernizing the plant, machinery and equipment to enhance productivity, quality and safety, 2) set aside money for future land purchase to support expansion in the modularization business, and 3) employed as working capital to support increase in project activities. The Company has submitted regular reports regarding the utilization of IPO funds as per requirements. The fund allocated for land purchase has been set aside and invested into short-term bond with low risk but higher yield than banks deposit rates.

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● Trade Receivables

The Company trade receivables as of 2014 and 2013 were 934.98 million baht and 326.41 million baht respectively. The rise in trade receivables in 2014 was directly related to the higher work volumes and the capability to deliver the scopes ahead of plan. The details of trade receivables based on how quickly the payments were made are as follows:

Trade receivables	2013	2014
Not due	162.07	363.70
Less than or equal to 3 months	163.50	553.12
Between 3 months and 6 months	-	16.72
Between 6 months and 12 months	-	1.43
> 12 months	0.84	-
Total	326.41	934.98

The Company has prescribed an allowance for doubtful trade receivables unpaid for more than 12 months. At the end of 2014, there existed no trade receivables with risks of not being paid.

● Unbilled Work in Progress

Unbilled Work in Progress as of 2014 and 2013 were 1,258.17 million baht (23.61% of total assets) and 667.12 million baht (13.79% of total assets) respectively. Unbilled Work in Progress increased by 88.60% due to the higher work volume and the capability of project management to deliver ahead of project schedule.

● Inventory

Because the Company fabricates and provides custom-order products, there is no inventory in the form of finished goods, and the inventory comprises only raw and work-in-progress material. The 2014 inventory of 488.46 million baht and 2013 inventory of 385.16 million baht were 9.17% and 7.96% of total assets respectively. The Company orders material and optimizes inventory levels in service of the project schedule.

● Property, Plant and Equipment

Net Property, Plant and Equipment at the end of 2014 and 2013 were worth 1,140 million baht and 776.52 million baht respectively, increasing from 16.06% to 21.40% of total assets in 2014. The increase during 2014 stemmed chiefly from the investments into upgrading manufacturing shops and setting up the grating shop and into purchasing machineries and equipment to improve productivity, quality and safety of operations, while reducing the costs. Positive impacts of the investments were starting to become evident in 4Q2014, and it is expected that this trend involving productivity enhancement and cost reduction will continue into 2015.

SOURCE OF FUND

● Liabilities

As of 2014 and 2013, the Company had total liabilities of 702.36 million baht and 444.64 million baht respectively. Current liabilities were 676.29 million baht in 2014 (96.29% of total liabilities) and 426.85 million baht in 2013 (96.00% of total liabilities). As of the present, due to the Company's strong financial position, the Company has not needed any long-term loans from financial institutions.

The main reason for the increase in total liabilities came from the rise in trade payables from 374.43 million baht in 2013 to 498.04 million baht in 2014 increasing by 33.01% due to early procurement of raw material for the projects. The Company also purchased raw materials with cash in order to receive better trade discount benefits. Moreover, there was an increase in income received in advance from 3.64 million baht in 2013 to 109.32 million baht in 2014 in accordance with contract conditions.

SHAREHOLDERS' EQUITY

At the end of 2014 and 2013, the total shareholders' equity was 4,625.78 million baht and 4,391.78 million baht respectively, reflecting an increase of 5.33%.

● Net Cash Flows

Statements of Cash Flows	2013	2014
Net Cash Inflow (Outflow) from Operating Activities	818.02	(826.50)
Net Cash Inflow (Outflow) from Investing Activities	(387.25)	(448.49)
Net Cash Inflow (Outflow) from Financing Activities	1,879.88	(777.28)
Effect from Exchange Rate on Cash and Cash Equivalents	0.42	18.96
Increase (Decrease) in Cash and Cash Equivalents – Net	2,310.23	(2071.24)

● Cash Flows from Operating Activities

Net cash flow from operating activities in 2014 was negative 826.50 million baht, down from 818.02 million baht in 2013. This resulted chiefly from setting aside 810.71 million baht in a high-interest-earning account for future land purchase and increases in working capital in service of expanding business activities, partially offset by net profits and interesting income.

● Cash Flows from Investing Activities

Net cash flow from investing activities in 2014 was negative 448.49 million baht compared to negative 387.25 million baht in 2013. Increase cash outflows were driven by increased investments to modernize the manufacturing facilities and equipment. Productivity, quality, safety and cost reduction benefits will be evident in future quarters, as the workers become more accustomed to using the automated production equipment and systems.

● Cash Flows from Financing Activities

In 2014, net cash flows from financing activities were negative 777.28 million baht, mainly used for the 2013 dividend payment of 768 million baht.

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FINANCIAL RATIOS

● Efficiency Ratio

As of 2014 and 2013, the Company had total liabilities of 702.35 million baht and 444.64 million baht respectively. Current liabilities were 676.29 million baht in 2014 (96.29% of total liabilities) and 426.85 million baht in 2013 (96.00% of total liabilities). As of the present, due to the Company's strong financial position, the Company has not needed any long-term loans from financial institutions.

Statements of Cash Flows	Unit	2013	2014
Return on Total Assets*	%	35.91	25.71
Return on Fixed Assets*	%	152.96	92.30
Total Assets Turnover	times	0.42	0.90

* Note: Average for 2014 used for total assets and fixed assets.

In 2014, Return on Total Assets and Return on Fixed Assets were 25.71% and 92.30% respectively, both down when compared to 2013. The reduction returns were primarily due to the increase of 10.17% in total assets while the net profits dropped 16.8%.

● Liquidity & Financial Ratios

Statements of Cash Flows	Unit	2013	2014
Current Ratio	times	8.84	5.97
Quick Ratio	times	7.80	4.84
Cash Flows Liquidity Ratio	times	1.65	(1.50)
Debt to Equity Ratio	times	0.10	0.15

In 2014, current ratio decreased to 5.97 times from 8.84 times in 2013, and the quick ratio dropped to 4.84 times from 7.80 times in 2013. These declines in the ratios resulted from increase of 58.44% for current liabilities, up from 426.85 million baht in 2013 to 676.29 million in 2014.

The Company liquidity has been relatively high due to the availability of cash and consistent payments/cash inflows from customers. In certain projects, advanced payments of approximately 5-10% of total contract value for procurement of raw materials were made by customers. Consequently, the Company has not needed to employ long-term loans, even when paying attractive dividends to the shareholders.

The Company's strong financial position is evident in debt-to-equity ratio, which has been below 1.00. The debt-to-equity ratios for 2013 and 2014 were 0.10 times and 0.15 times respectively due to no long-term loans.

Contingent Liabilities

As of December 31 2014 the Company has liabilities which may take place from issuing letters of guarantee (L/G) by the banks both in Thai Baht and in foreign currencies worth 943.72 million baht (based on Bank of Thailand's FX rate data on 30 December 2014). Such obligation may have impacts on the Company's cash flow position in the future.

Factors or situations possibly affecting significantly the Company financial position or business operation.

-None -