

# ANNUAL REPORT 2011/2012

(FOR JULY 1 TO DECEMBER 31, 2011)

**MBK**  
G R O U P



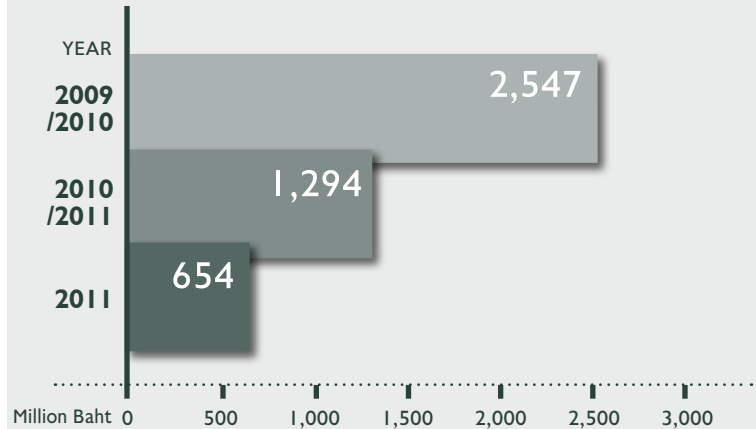
FACTORY

บริษัท เอ็ม บี เค จำกัด (มหาชน)  
MBK PUBLIC COMPANY LIMITED

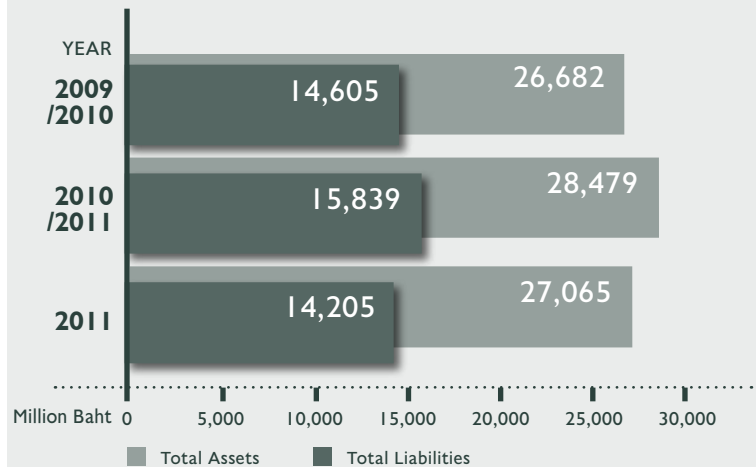
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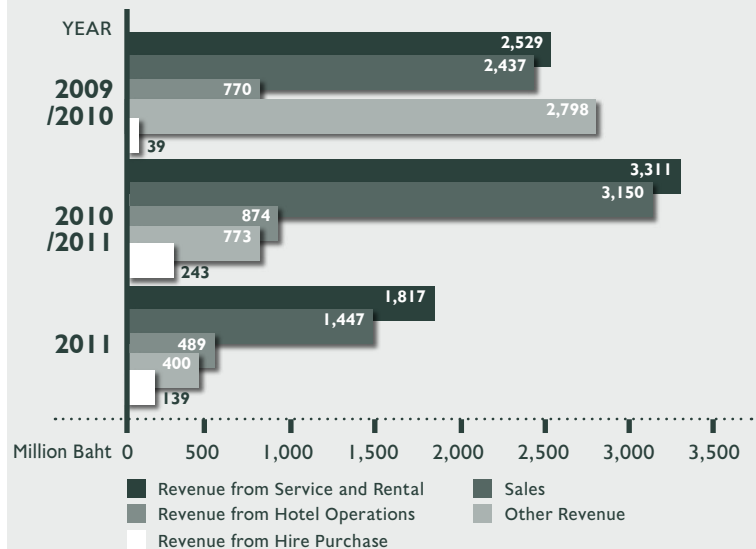
## NET PROFIT



## TOTAL ASSETS & TOTAL LIABILITIES



## REVENUE STRUCTURE OF BUSINESS GROUP



# FINANCIAL HIGHLIGHTS

Financial Highlights of MBK Public Company Limited and its subsidiaries

(Unit : Thousand Baht)

	30 JUN 2010	PERCENTAGE	30 JUN 2011	PERCENTAGE	31 DEC 2011	PERCENTAGE
<b>BALANCE SHEETS</b>						
Total Assets	26,682,191	100.00	28,478,641	100.00	27,065,054	100.00
Total Liabilities	14,604,880	54.74	15,838,589	55.62	14,204,961	52.48
Total Shareholders' Equity	12,077,311	45.26	12,640,052	44.38	12,860,093	47.52

	FOR THE YEARS ENDED 30 JUNE				FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	
	2009/2010	PERCENTAGE	2010/2011	PERCENTAGE	2011	PERCENTAGE
<b>INCOME STATEMENTS</b>						
Revenue from Service and Rental	2,529,007	29.50	3,311,389	39.65	1,816,694	42.33
Sales	2,436,745	28.42	3,150,364	37.72	1,446,831	33.71
Revenue from Hotel Operations	770,244	8.98	873,739	10.46	489,495	11.40
Revenue from hire purchase	39,101	0.46	242,603	2.91	138,877	3.24
Other Revenues	2,797,892	32.64	772,913	9.26	400,245	9.33
Total Revenues	8,572,989	100.00	8,351,008	100.00	4,292,142	100.00
Gross Profit	1,933,605	22.55	2,721,029	32.58	1,479,576	34.47
Net Profit attributable to equity holder of the parent	2,546,818	29.71	1,294,315	15.50	654,408	15.25

## THE FINANCIAL RATIOS OF MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

		FOR THE YEARS ENDED 30 JUNE		FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER
	UNIT	2009/2010	2010/2011	2011
Net Profit / Total Revenues	%	29.71	15.50	15.25
Return on Average Equity *	%	26.32	11.31	11.04****
Return on Average Assets	%	10.82	4.69	4.72****
Earnings Per Share ***	(THB)	16.82	8.55	4.32
Dividend Per Share	(THB)	4.75	5.00	2.50**
Book Value Per Share */ ***	(THB)	73.60	77.50	79.10

- Note
- \* Shareholders' equity represented equity attributable to the Company's shareholders (excluding equity attributable to non-controlling interest of the subsidiaries).
  - \*\* On 10 April 2012, the Board of Directors will propose to the Annual General Meeting of the shareholders to approve the dividend payment of Baht 2.50 per share from July 1 - December 31, 2011.
  - \*\*\* Calculated from the number of ordinary shares which deducted by treasury stocks held by the Company and its subsidiaries.
  - \*\*\*\* Annualized

IN THE SECOND HALF OF 2011 THAILAND HAD TO FACE THE CONTINUOUS RECESSION OF THE WORLD ECONOMY DUE TO THE DEBT CRISIS IN EUROPE, THE UNEMPLOYMENT PROBLEM, THE FLUCTUATION OF THE OIL PRICE THAT KEPT RISING IN THE GLOBAL MARKET, THE PRESSURE FROM THE INCREASING INFLATION THAT CAUSED THE INTEREST RATE TO ADJUST UP, WHICH IN TURN, MADE THE PRICE OF CONSUMER PRODUCTS AND COST OF LIVING TO GO UP AND SIGNIFICANTLY REDUCED THE PURCHASING POWER OF PEOPLE.



## MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

Apart from the external factors, during the end of 2011, many parts of Thailand in the northern region, central region, Bangkok and its vicinity were also affected from the biggest flood in 50 years. There was a direct impact on the industrial production, consumption, investment, exportation and tourism industry. In addition, the political instability straightly affected the confidence of investors and consumers. Consequently, Thai economy in the fourth quarter of 2011 decreased by 9%.

The performance of MBK and its subsidiaries (collectively “the Group”) from July 1 to December 31, 2011 was satisfactory. The total revenue amounted to THB 4,292.1 million, which was an increase of THB 222.4 million or 5.5% from the same period in the previous year. The net profit for equity holder of the Company was the total of THB 654.4 million, which increased from the previous year by THB 87.4 million or 15.4%. This was the result of the improving profit from the shopping center and hotel businesses, in comparison to the same period of the previous year. In terms of the financial status of the Group as at December 31, 2011, compared to the total balance as at June 30, 2011, the Group’s total assets accounted to THB 27,065.1 million, which was a decrease of THB 1,413.6 million or 5%. Its total liabilities amounted to THB 14,205.0 million, a decrease of THB 1,633.6 million or 10.3%. Its shareholders’ equity amounted to THB 12,860.1 million, an increase of THB 220.0 million or 1.7%. The Group’s total assets and liabilities decreased because the corporate bonds due during the 6-month period ending on December 31, 2011 were redeemed.

Additionally, in order to have the accounting system meet the standard practice for the benefit of stakeholders who use the financial statement, the Company changed the fiscal year from July 1 - June 30 to January 1 - December 31 while the 6-month cycle will end on December 31, 2011. The new fiscal year began on January 1, 2012.

Although the Group had to face unexpected events during the past year, the policy to invest in various types of business allowed the Group to grow continuously:

In 2011/2012 (from July 1 - December 31, 2011) MBK continued to expand its investment, organized new marketing activities and renovated the interior of MBK Center to include, for example, the Muslim pray rooms or the



lobby area for tour guides. The internal facilities were also improved to increase its capacity to provide services for customers, local and foreign tourists. Paradise Park Shopping Center also consistently improved in order to become “the Greatest Shopping Paradise of Eastern Bangkok”. The floor plans and mix of stores were completely modified. The launching event taking place in August 2010. In addition, the Nine Neighborhood Center continued to offer new and impressive shopping experiences to customers. The flood situation also brought new group of customers who temporarily moved into the area near the shopping center.

MBK assigned MBK Hospitality Management Company Limited to operate and manage its group of hotels. In addition, MBK had invested in 30% of equity shares of a joint venture project with Dusit Thani Group in the five-star resort hotel project in the Republic of Maldives under the name ‘Dusit Thani Maldives Hotel’. The total capital of the project approximately amounted to THB 2,400 million. The hotel is planned to operate in March 2012. As to other hotels in MBK Group, there were still developments and improvements to increase the convenience, modernity and satisfaction for customers. The improvements included the renovation of guestrooms and facilities within the hotels, and the installation of WIFI. Furthermore, there were also marketing campaigns to draw in both local and foreign tourists in different traveling seasons in each country.

The golf business in Phuket is operated by MBK Resort Public Company Limited while the golf courses in Pathum Thani are operated by Riverdale Golf and Country Club Company Limited. The total space of all golf courses is approximately 1,400 Rai. The courses have modern designs and complete facilities. Moreover, we have entered a reciprocal agreement with other leading international golf courses, allowing the business to gain more revenues. Furthermore, the members also receive the privileges from our business alliances. We have hired the company administrating the subsidiaries of MBK hotels business to operate and improve golf course’s quality and services to get the standard at the same level as leading golf courses which are able to greatly impress golfers.

The real estate Business is operated by Plan Estate Company Limited and its subsidiary. In 2011/2012, there were the real estate development projects including Sabai Village 1, Sabai Village 2 and The Indy Phase 2. These projects target both Thai and Foreigner customers that desire to live in the city and community area. Plan Estate Company Limited also has experience and expertise in real estate business and offer unique housing designs that can attract many good feedbacks from customers.

The rice business is operated by Patum Rice Mill and Granary Public Company Limited. Their main business includes producing and selling rice both in the local and overseas markets. The international standard production and rice packaging process allows the packaged rice under the brand name “Mah Boonkrong Rice” to be very well received with the top sales in the country Mah Boonkrong Rice also received the award for standard packaged jasmine rice from the Department of Internal Trade, Ministry of Commerce since 2004 for 7 consecutive years.

The financial business is operated by an MBK subsidiary, namely MBK Guarantee Company Limited. The main business is to provide loans to customers who have valuable collaterals such as properties which are in good location and marketable property. T Leasing Company Limited’s main business is to give new motorcycle hire purchase as well as after-sales services including, registration renewal as well as insurance to protect assets etc.

Other businesses are operated by MBK’s subsidiaries including Used-Car Auction Business operated by Apple Auto Auction (Thailand) Company Limited, with a goal to become a leading auction company in Thailand. X-Gen Premium Company Limited operates the motorcycle dealership business, and motorcycle maintenance services.

On behalf of MBK’s Chairman of the Board of Directors, I would like to express my thankfulness to shareholders, investors, customers, board of directors, executives, employees, all stakeholders and those who had a part in the success of the company and its group and supporting us through the biggest flood crisis. MBK Group is determined to operate its businesses under the principles of Good Corporate Governance and Corporate Social Responsibility in order to increase sustainable business values and growth to every company in the Group for shareholders, organization and all stakeholders.



**MR. BANTERNG TANTIVIT**  
Chairman of the Board of Directors

# THE BOARD OF DIRECTORS



■ **MR. BANTERNG TANTIVIT**

CHAIRMAN



■ **MR. SUPHADEJ POONPIPAT**

VICE CHAIRMAN

■ **PROFESSOR PAICHITR ROJANAVANICH**

INDEPENDENT DIRECTOR AND CHAIRMAN  
OF THE AUDIT COMMITTEE



■ **MS. PRAKONG LELAWONGS**

INDEPENDENT DIRECTOR AND MEMBER  
OF THE AUDIT COMMITTEE

■ **MR. PRACHA JAIDEE**

INDEPENDENT DIRECTOR AND MEMBER  
OF THE AUDIT COMMITTEE



■ **FIRST LIEUTENANT CHATRACHAI BUNYA-ANANTA**

INDEPENDENT DIRECTOR

■ **MS. PANIT PULSIRIVONG**

INDEPENDENT DIRECTOR



■ **MR. PIYAPHONG ARTMANGKORN**

DIRECTOR

■ **MR. SUVAIT THEERAVACHIRAKUL**

DIRECTOR AND PRESIDENT



■ **MR. HATCHAPONG PHOKAI**

DIRECTOR

■ **MR. ATIPON TANTIVIT**

DIRECTOR



# EXECUTIVE MANAGEMENT



■ **MR. SUVAIT THEERAVACHIRAKUL**

PRESIDENT AND CEO

■ **MR. PONGSAK SABDASEN**

SENIOR EXECUTIVE VICE PRESIDENT OFFICE OF PRESIDENT



■ **MR. KASEMSUK CHONGMANKHONG**

SENIOR EXECUTIVE VICE PRESIDENT FINANCE &  
ADMINISTRATION DIVISION

■ **MR. SAKCHAI KENGKIJKOSOL**

SENIOR EXECUTIVE VICE PRESIDENT OPERATION DIVISION



■ **MS. YUPAPUN PARITRANUN**

SENIOR EXECUTIVE VICE PRESIDENT  
INTERNAL AUDIT DIVISION

■ **MR. SOMBOON WONGRASSAMEE**

EXECUTIVE VICE PRESIDENT  
BUSINESS DEVELOPMENT DIVISION



■ **MR. WINAI SRICHOBTHAM**

EXECUTIVE VICE PRESIDENT MARKETING DIVISION

■ **MR. APICHAT KAMOLTHAM**

EXECUTIVE VICE PRESIDENT LEGAL DIVISION



# MANAGEMENT TEAM

## ■ OFFICE OF PRESIDENT



### ■ MR. VIROJ LEETRAKUL

ASSISTANT SENIOR EXECUTIVE VICE PRESIDENT  
OFFICE OF PRESIDENT

### ■ MS. CHANINCHORN PREDEEPROMPAN

SENIOR VICE PRESIDENT  
STRATEGIC & OPERATION SYSTEM MANAGEMENT DEPARTMENT



### ■ MR. CHAROON PUNYACHATPORN

SENIOR VICE PRESIDENT PROJECT MANAGEMENT  
DEPARTMENT

### ■ MS. DARARAT HOMROSSUKHON

COMPANY SECRETARY  
VICE PRESIDENT COMPLIANCE DEPARTMENT

**NOTE** MR. VIROJ LEETRAKUL HAS BEEN APPOINTED INTO ASSISTANT SENIOR EXECUTIVE VICE PRESIDENT ON AUGUST 1, 2011.

## ■ FINANCE & ADMINISTRATION DIVISION



### ■ MR. SURAPON SENACHAKR

SENIOR VICE PRESIDENT  
INFORMATION TECHNOLOGY DEPARTMENT



### ■ MS. KANCHANA PANYARATTANAKUL

SENIOR VICE PRESIDENT FINANCE DEPARTMENT

### ■ MS. NATA-ON TUNPOON

VICE PRESIDENT GENERAL ADMINISTRATION  
DEPARTMENT



### ■ MS. WANPEN RUNGROJCHANATHIP

VICE PRESIDENT ACCOUNTING & BUDGET DEPARTMENT

### ■ MR. PHIRAPHON PHRUEKSAMAS

VICE PRESIDENT HUMAN RESOURCES DEPARTMENT

# MANAGEMENT TEAM

## ■ OPERATION DIVISION



### ■ MR. WIJARN HEEBPHORN

ASSISTANT SENIOR EXECUTIVE VICE PRESIDENT  
OPERATION DIVISION

### ■ MS. PRAIYAPORN KHAENGRAENG

VICE PRESIDENT SERVICE DEPARTMENT



### ■ MR. PONGWIKARN WISARUTCHOTIKUL

VICE PRESIDENT SECURITY MANAGEMENT DEPARTMENT

### ■ MR. PURIM PRACHANTASEN

VICE PRESIDENT ENGINEERING DEPARTMENT



## ■ INTERNAL AUDIT DIVISION



### ■ MS. YUPAPUN PARITRANUN

ACTING VICE PRESIDENT MANAGEMENT  
AUDIT DEPARTMENT

### ■ MS. CHATCHAMAS LUENGSAKSRI

VICE PRESIDENT OPERATIONAL AUDIT DEPARTMENT

## ■ BUSINESS DEVELOPMENT DIVISION



### ■ MR. SOOMBOON PRASOBPIBOON

VICE PRESIDENT BUSINESS DEVELOPMENT DEPARTMENT

### ■ MR. SAKCHAI SUTHIPIPAT

VICE PRESIDENT INVESTMENT DEPARTMENT

# MANAGEMENT TEAM

## ■ MARKETING DIVISION



### ■ MR. UTHAI KAEWKORNPRADIT

SENIOR VICE PRESIDENT SALES DEPARTMENT

### ■ MR. CHAIDOLE KRAIRIKSH

VICE PRESIDENT DECORATION DEPARTMENT



### ■ MS. SUTHISA PUMPRADON

ACTING VICE PRESIDENT MARKETING DEPARTMENT

### ■ MS. WORAWEE ANGSAUTORONJARUPATT

ACTING VICE PRESIDENT PUBLIC RELATIONS DEPARTMENT

**NOTE** MS. SUTHISA PUMPRADON HAS BEEN APPOINTED INTO ACTING VICE PRESIDENT MARKETING DEPARTMENT ON NOVEMBER 3, 2011.  
MS. WORAWEE ANGSAUTORONJARUPATT HAS BEEN APPOINTED INTO ACTING VICE PRESIDENT PUBLIC RELATIONS DEPARTMENT ON JANUARY 4, 2012.



## ■ LEGAL DIVISION



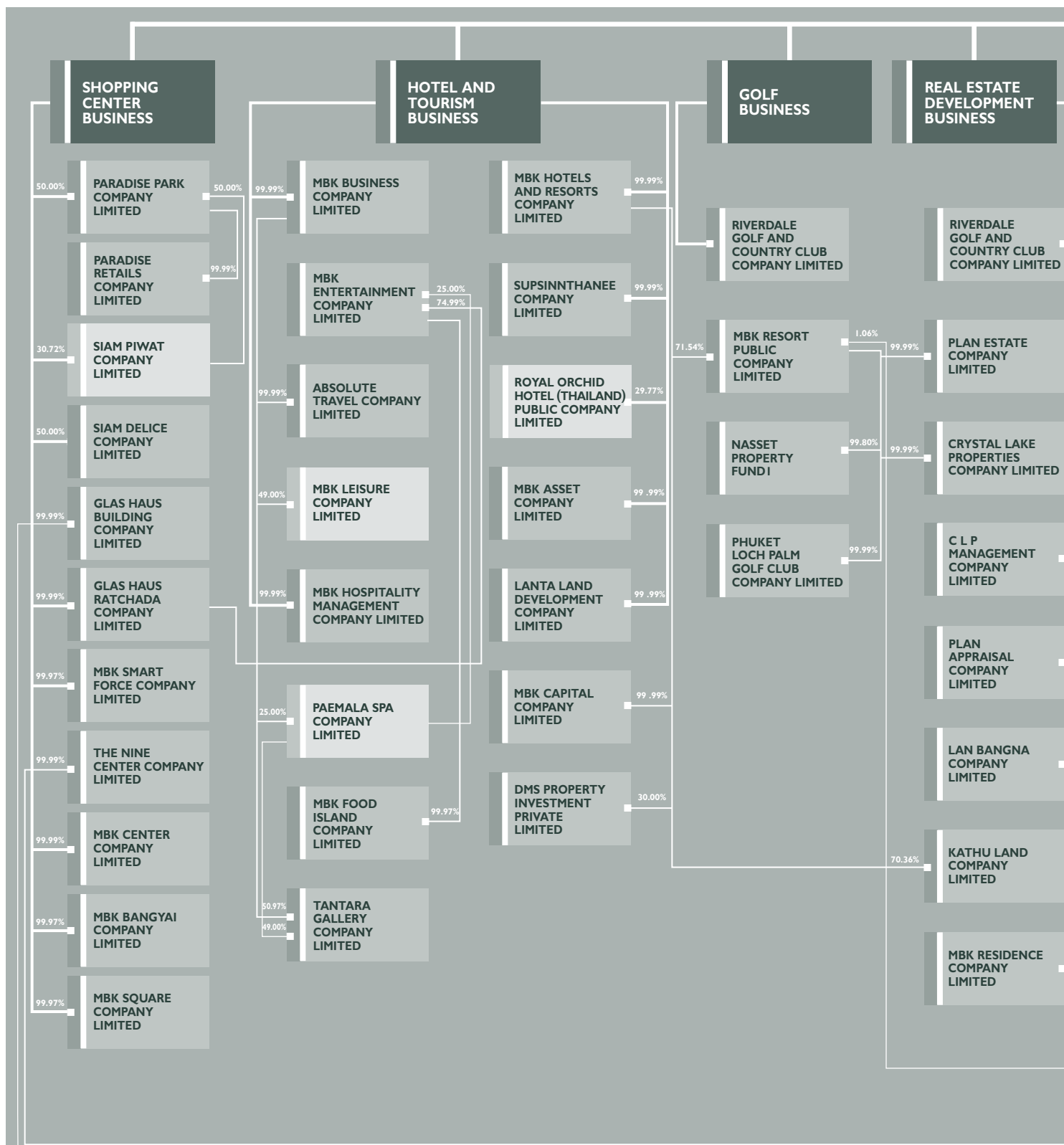
### ■ MR. APICHAT KAMOLTHAM

ACTING VICE PRESIDENT  
CASE & JURISTIC PERSON DEPARTMENT

### ■ MR. URITH PANANUNT

VICE PRESIDENT JURISTIC ACT DEPARTMENT

# SHAREHOLDING STRUCTURE OF MBK GROUP



## หมายถึงบริษัทร่วม



## VISION

THE LEADING COMPANY MANAGED BY PROFESSIONALS WITH CONTINUOUS AND STABLE GROWTH BY INVESTING IN STEADY RETURN-GENERATED BUSINESSES WITH STRONG DETERMINATION IN PRODUCING WEALTH, RELIABILITY AND TRUST FOR ALL RELATED PARTIES, IN COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE



## BUSINESS FOR EVERYDAY GROWTH AND HAPPINESS







**MBK**  
G R O U P



# NATURE OF BUSINESS OPERATIONS



MBK Public Company Limited (“MBK”) and its subsidiaries are engaged in key businesses as follows:

- 1. SHOPPING CENTER BUSINESS** is operated by MBK, The Nine Center Company Limited (“TNC”) and Paradise Park Company Limited (“PDP”), a subsidiary of MBK.
- 2. HOTEL AND TOURISM BUSINESS** are operated by MBK and its subsidiary as follow:
  - Hotel businesses are operated by MBK Hotels and Resorts Company Limited (“MBK-HR”), MBK Business Company Limited (“MBK-BUS”), Supsinthanee Company Limited (“SSTN”) and Lanta Land Development Company Limited (“LLD”).
  - Tourism businesses are operated by Absolute Travel Company Limited (“ALT”) and MBK Leisure Company Limited (“MBK-LS”).
- 3. GOLF BUSINESS** is operated by MBK Resort Public Company Limited (“MBK-R”) and Riverdale Golf and Country Club Company Limited (“RDGCC”), the subsidiaries of MBK.
- 4. REAL ESTATE BUSINESS** is operated by Plan Estate Company Limited (“PST”) and Crystal Lake Properties Company Limited (“CLP”), the subsidiaries of MBK.
- 5. RICE BUSINESS** is operated by Patum Rice Mill and Granary Public Company Limited (“PRG”) and its subsidiaries which are subsidiaries of MBK.
- 6. FINANCIAL BUSINESS** is operated by MBK Guarantee Company Limited (“MBK-G”) and T Leasing Company Limited subsidiaries of MBK.
- 7. OTHER BUSINESSES** are operated by MBK’s subsidiary namely Apple Auto Auction (Thailand) Company Limited (“AAA”) and X-Gen Premium Company Limited (“X-GEN”).
- 8. SUPPORTING BUSINESSES** are operated by MBK’s subsidiaries: MBK Training Center Company Limited (“MBK-TC”), MBK Life Assurance Broker Company Limited (“MBK-LB”) and MBK Insurance Broker Company Limited (“MBK-IB”).

## Major Changes and Developments

### Year 2011/2012

- In July 2011 the Company put in 99.97% of the investment in founding a new company called MBK Training Center Company Limited (“MBK-TC”) in order to support the expansion of the Company.
- In October 2011 the Company put in 99.99% of the investment in founding new companies called MBK Life Assurance Broker Company Limited (“MBK-LB”) and MBK Insurance Broker Company Limited (“MBK-IB”) in order to support the expansion of the Company.



- In order to increase the investment in golf business, in November 2011 MBK purchased 26.37% of the common shares of Lam Luk Ka Golf and Country Club Company Limited (“LLKGC”) from Thanachart Capital Public Company Limited (“TCAP”), NFS Assets Management Company Limited (“NFSAMC”) and Thanachat Bank Public Company Limited (“TBANK”).

## SHOPPING CENTER BUSINESS

### MBK CENTER

The shopping center business is operated by MBK. It supplies retail space in the MBK Center Building, using the name of MBK Center. In addition to MBK Center, the Company holds 30.72% of the paid-up share capital of Siam Piwat Company Limited (SPW) which operates and manages shopping centers namely Siam Center and Siam Discovery. SPW also rents out Siam Tower office building. In addition, SPW entered into a joint venture with the Mall Group in operating Siam Paragon Shopping Center and “Paradise Park” located on Srinagarindra road.

### AS OF DECEMBER 31, 2011

MBK Center Building has a total area of 270,802.75 square meters with space allocation as follows:

- |                   |            |               |
|-------------------|------------|---------------|
| ■ Shopping center | 142,358.31 | Square Meters |
| ■ Office Tower    | 23,330.07  | Square Meters |
| ■ Hotel           | 47,840.71  | Square Meters |
| ■ Car park        | 57,273.66  | Square Meters |

## THE DETAILS OF AREAS IN MBK CENTER BUILDING ARE AS FOLLOWS:

### I. AREA FOR RENT INCLUDES THE FOLLOWING:

1.1 Shopping center area (MBK Center) 142,358.31 Square Meters. These areas consist of:

- Area rented out to shops 92,557.60<sup>1</sup> Square Meters
- Common area 49,800.71 Square Meters



1.2 Office area for rent (MBK Tower Building)

Area from 9<sup>th</sup> to 20<sup>th</sup> Floors 23,330.07<sup>2</sup> Square Meters. These areas consist of:

- Office area for rent 17,760.78 Square Meters
- Common area 5,569.29 Square Meters

### 2. AREA NOT FOR RENT INCLUDES THE FOLLOWING:

2.1 Hotel area (Pathumwan Princess Hotel) 47,840.71 Square Meters. These areas consist of:

- Hotel guest rooms (29 floors) 26,127.61 Square Meters
- Common area 21,713.10 Square Meters

2.2 Car parking area 57,273.66 Square Meters

## THE AREA RENTED OUT BY MBK CAN BE DIVIDED INTO TWO TYPES AS FOLLOWS:

1. **AREA FOR LONG-TERM RENT** with the rental period of over three years and the rental fees collected in advance is calculate into 18% of the area rented.
2. **AREA FOR SHORT-TERM RENT** with the rental period ranging from one to three years and the rental fees collected monthly is calculate into 82% of the area rented.

MBK has already extended the long-term lease contracts in advance for a period of 10 years with the lessees whose contracts will expire in 2010 to 2013. The term of the extended leases is the same as the term of the previous leases. The purpose is to enhance the confidence of the lessees in doing their businesses.

<sup>1</sup> From July 1 - December 31 2011, the space in the shopping center increased by 80.26 square meters because the rental pace on the 7<sup>th</sup> floor, zone D, was changed from karaoke to restaurants.

<sup>2</sup> The area rented out to Thanachart Capital Public Company Limited with the rental contract expiring in 2012.

In 2011/2012, there were improvements in MBK as follows:

- Changes in MBK Center :
  - Muslim Pray Room on 6<sup>th</sup> Floor, PACO Zone, for Muslim customers coming to MBK Center.
  - Lobby area for tour guides on G Floor zone Pathumwan Princess Hotel to serve tour guides while waiting for tourists.
  - Building a roof over the drop off spot next to Tokyu Department Store building for tourists' convenience.
  - Renovating 7 elevators to increase security.
  - Change the air coolers to the more effective and energy saving ones.
  - Improve the luggage deposit area on the 6<sup>th</sup> floor to be more convenient for customers coming to MBK Center.

## TARGET MARKET OF SHOPPING CENTER BUSINESS

**I. TENANTS RENTING SPACE FOR THEIR BUSINESSES IN THE SHOPPING CENTER.** These tenants include the following:

- **ANCHOR TENANTS** which include the department store, the movie theaters, the bowling alleys, the karaoke rooms, the center for mobile phones and their accessories, the furniture center, the international food courts and bank center. The anchor tenants have been carefully selected. The Company wants to make sure that the businesses of the tenants are in line with the needs of the target market and that the tenants have a strong financial position.

### TOP 10 MAIN TENANTS AS OF DECEMBER 31, 2011 (UNIT: M<sup>2</sup>)

1. SF Cinema City Development (Retail) Company Limited	17,655.10
2. Thanachart Capital Public Company Limited	17,600.54
3. Bangkok Tokyu Department Store Company Limited	12,000.00
4. S.C.P. Management Company Limited	8,342.97
5. Index Living Mall Company Limited	5,790.89
6. Pathumwan Light Company Limited	5,301.79
7. C & N Center Company Limited	4,367.34
8. MBK Entertainment Company Limited	2,631.99
9. A Group of Person Surachai and Chatchawal	2,066.07
10. Central Food Retail Company Limited	1,361.00

- **RETAIL TENANTS** such as the retail shop. As well, these tenants have been carefully selected. The Company wants to make sure that their goods and their services are of good quality and varieties.

**2. CUSTOMERS AND PEOPLE WHO BUY THINGS IN THE SHOPPING CENTER** which include the group such as student, working person and tourism.

## DISTRIBUTION CHANNELS OF SHOPPING CENTER BUSINESS

MBK makes use of the direct sales approach to promote the sales of rental areas in MBK Center. Offers are made to target groups which are stores capable of attracting customers to use services available in the shopping center as well as helping enhance the image of the shopping center.

During the past three years, there is not any tenant in MBK Center, who accounts for over 30% of MBK's total revenues.

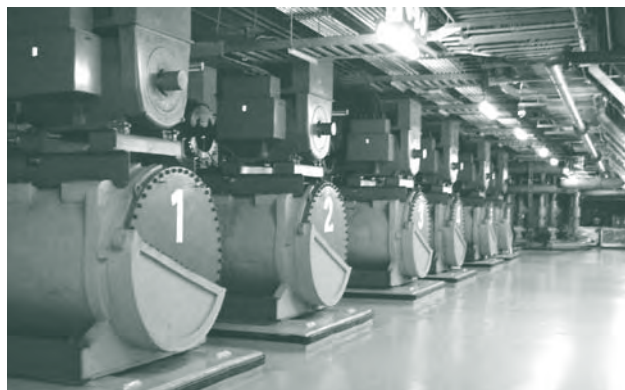
## COMPETITION IN SHOPPING CENTER BUSINESS

In 2011 the overall retail business grew considerably and there were still aggressive competitions from the launches of new projects inside and outside Bangkok. The driving force behind the growth of retail business consisted of Tesco Lotus, Seven Eleven, Tops Daily, Big C Junior and Villa Market. In 2011 Big C Super center, Home Pro, CP All, and Macro expanded their branches by 61%, 10%, 8.6% and 8.3% respectively. This year Seven Eleven plans to invest



averagely THB 1,500 million to add 500 new branches, with the goal to reach 6,300 branches by the end of 2011 and 7,000 branches within the next 2 years. Major retail operators such as Robinson Group, Central especially, the hypermarket group, still have a plan to expand their branches. Tesco Lotus has planned to expand 30 more branches of Lotus Express. Tops Daily will add 30-40 new branches and Big C Junior will expand 20 new branches. As a result, the supply of new shopping center space increased by 340,000 square meters. At the end of 2011, the occupancy rate and rental fee adjusted slightly upwards, compared to the same quarter of the year before.

Retail business in Bangkok had a positive tendency since the beginning of 2011 until September as tenants had a positive view towards the market while Thai economy tended to improve. At the same time the number of



tourists coming to Thailand increased almost up to 30% from 2010. In addition there were changes in many parts that benefited the commercial space rental market such as the construction of Sky Walk, bridging BTS station to office buildings, shopping center and shops, allowing customers to travel more conveniently. Within 5 years there will be more Shopping Center from Pathumwan Junction to Sukhumvit Road or along the line of 6 BTS stations. Not only residents in the area will benefit from the improvement but also the tourism industry as this road will become the symbol of Bangkok's shopping center that will increase Bangkok's credibility and stability in the future. However, the flood crisis towards the end of 2011 affected the overall business because the purchasing power of consumers had dropped. Therefore, the retail business in a whole only grew by 6% instead of 8% as originally forecast by Thai Retailers Association. Nonetheless, with the government's policy to stimulate the economy and the driving force of private sector, the investment in infrastructure and flood prevention system and the promotion campaigns consumers' purchasing power should recover in the beginning of 2012.

Even though MBK Center was affected by the flood crisis and aggressive competition, MBK Center could continuously retain and increase the number of both Thai and foreign customers. During the past 3 years, 99.0-99.5% of rental space has been occupied. In 2011 there was an average of 90,000 people coming to MBK Center daily, which increased from both the year 2010 and 2009 and will tend to grow even higher.

## INDUSTRY TREND AND FUTURE COMPETITION OF SHOPPING MALLS.

The retail business in 2012 has a tendency to grow because of supporting factors such as the increase of consumers' purchasing power. After the flood problem had resolved, consumers want products to renovate and fix their houses. This is one of the factors that support the sales of retail stores. At the same time the number of Asian tourists has increased significantly and was accounted for 40% of the total number of tourists. Tourists from China and Hong Kong also increased by 50% in 2011, had been taking up 10% of the total number of tourists. It is expected that in 2012 there is still a tendency that tourists from China and Hong Kong will still increase, causing the retail business to expand as a result of their spending.

The recovering consumption and purchasing power allowed the retail business in the modern trade form to grow continuously, especially in other provinces with high purchasing power. This conforms to the plan to expand the modern trade retail business in 2012 by increasing 10 branches of hypermarket and about 4-5 branches of shopping



center. Moreover, the convenience stores has a tendency to grow rapidly or up to 900 locations because consumers want fast and convenient services and prefer to buy products from a place closer to home. In addition, with no limitation from the Law of Urban Plans, it is easy to find a good location for a small convenience store that does not require a lot of investment fund. In 2012, it is expected that there will be a supply of new Shopping Mall space of up to 250,000 square meters. The market that should be watched is Life Style Mall market or Community Mall, which tends to grow rapidly in order to answer the unique demand. In 2011 there are 14 community malls and the announcement of 11 new community malls that will support the new lifestyle of Bangkok people who want a convenient place to hang out and shop without having to sit in traffic just to go into town. Apart from that there are more projects ready to be launched outside the Central Business District, especially the projects involving clothing, fashion, IT and games.

## THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

### 1. WASTEWATER TREATMENT (DEEP-SHAFT PROCESS)

Sine 1996 to present MBK Center and Pathumwan Princess Hotel have been using the Deep-Shaft process-type of wastewater treatment system which is the activated sludge process. The treatment, installed supplementarily from the original system which had been installed since the building was constructed, has used biological sludge as the main factor. The control of wastewater treatment as mentioned above has staff record all field data, report operational results regularly, and collect wastewater sample to operating room every month in order to examine water quality before discharge into public sewers. The company is able to have standard treatment as Building Type A and hires a contractor to sanitarily dispose the waste from the treatment process which is 2 tons a week.

### 2. TREATED WATER RECYCLING

MBK has a project to use recycled water which is former wastewater in order to use resources worthily by using reclaimed water in cleaning system to the floors, parking lots, and cooling tower system. Before using recycled water, there are the process of filtering to separate suspension through Sand Filter and adding Chlorine Dioxide as a disinfectant, so the water quality is suitable and safe for use. Particularly, the section used in cooling tower system has been collected water samples to the operating room to detect the Legion Ella Bacteria every four months. Consequently, these are the safe operation for indoor air quality of MBK Center by means of good corporate governance.

### 3. THE DETECTION OF TAP WATER QUALITY USED IN SHOPPING MALL

MBK is well aware of lessees and customers using safe tap water in shopping mall. As a result, the company has tap water quality detected every three months through randomly collecting tap water from various faucets and measuring drinking water quality once a year comparing to the drinking water standards of sealed containers which is always in the level of standard.

### 4. THE USE OF SANITIZING SPRAY OF AIR CONDITIONING SYSTEMS

At the present time, due to the fact that there is the spread of the 2009 Influenza A (H1N1) greatly apart from using air coil cleaners, air duct cleaning, and indoor air quality testing in Shopping mall every year. MBK Center included the following additional measures:

- 4.1 The use of sanitizing spray after cleaning air conditioners helps to reduce the accumulation of bacteria in air coils, air vents, and other parts.
- 4.2 The installment of sanitizing gel to always clean air conditionings in order to disinfect germs that is in the air effectively and continuously.
- 4.3 The use of ozone sterilizers in central areas and air conditioners helps to reduce the accumulation of bacteria in air coils, air vents, and other parts.

The shopping mall adopted the measures as mentioned above to reduce the cause of the spread of influenza and to create customer confidence.

## 5. SUSTAINABLE ENVIRONMENT PROJECT CHANGE TO NEW MODEL OF CHILLER: HIGH EFFICIENCY, SAFE ENERGY, AND REDUCING GLOBAL WARMING CHILLERS

At present, MBK Center is going under a major renovation of air conditioning systems by replacing 8 old model cold water dispensers which had been used for 24 years with new high efficiency, safe energy model water chillers. The installation was completed in April 2010 which helped the shopping mall save the electricity in May 2010 to 455,000 units. The company is expected to save the electricity 6 Million units a year regarding as the government great response in the conservation of energy. Moreover, the new model water chillers help preserve the environment in the matter of reducing Chlorofluorocarbons (CFCs) emissions that not only have caused the damage to the ozone layer, but also contributed to Greenhouse Effect and help reduce global warming as well.

## 6. ENVIRONMENTAL CONTROL MEASURE EXPENDITURES

The environmental control measure expenditures in the past four years are as follows:

### ■ WASTEWATER TREATMENT SYSTEM AND RECYCLE SYSTEM

(The data ends at 31<sup>st</sup> December 2011) (Unit: Baht)

YEAR	WASTEWATER TREATMENT SYSTEM			RECYCLE SYSTEM			TOTAL
	ELECTRIC EXPENSES	MAINTAINANCE EXPENSES	TOTAL	ELECTRIC EXPENSES	MAINTAINANCE EXPENSES	TOTAL	
2008	2,972,210	1,220,311	4,192,521	146,653	139,400	286,053	4,478,574
2009	3,325,403	1,730,341	5,055,744	114,720	180,917	295,637	5,351,381
2010	3,475,525	1,789,027	5,264,552	125,082	243,846	368,928	5,633,480
2011	3,237,825	2,275,174	5,512,999	174,500	149,238	323,738	5,836,737

### ■ EXPENSES OF AIR CONDITIONING SYSTEM AND VENTILATION SYSTEM ARE AS FOLLOWS:

Air conditioning adjustment, use of gel and disinfectants in air conditioners, ozone disinfection and increasing the cleaning frequency of air handling unit

(Unit: Baht)

YEAR	AIR CONDITIONING SYSTEM					AIR VENTILATION SYSTEM	TOTAL
	AIR QUALITY AND LEGIONELLA BACTERIA MONITORING EXPENSES	GEL AND DISINFECTANT EXPENSES	OZONE STEAM TO KILL BACTERIA	CENTRAL AIR CLEANING EXPENSES	CHANGE OF WATER COOLER EXPENSES	AIR TO AIR IMPROVEMENT EXPENSES	
2008	269,640	342,400	-	1,033,000	-	-	1,645,040
2009	136,960	171,200	205,440	516,500	-	4,654,500	5,684,600
2010	261,600	60,000	-	737,000	99,000,000	-	100,058,600
2011	84,000	27,100	-	716,220	-	-	827,320

## 7. RESULT OF PERFORMANCE FROM 2008 TO PRESENT

7.1 MBK Center was able to manage wastewater treatment system whose standards are in accordance with those applicable to the type A building in every parameter (8 Parameters) from 2007 onwards.

7.2 Tap water and drinking water measurements standardized the standard of drinking water in sealed container and non-contamination by microbes that cause digestive system disease.

7.3 Cooling tower water system measurements didn't find any Legionella Bacteria in the air conditioning system.

## 8. ENVIRONMENTAL CONFLICT

- None -

## PARADISE PARK

### NATURE OF BUSINESS OPERATION

Paradise Park is a long-term and short-term lease shopping mall whose focus is on management to earn from renting out shopping area to entrepreneurs, earn from renting out space for billboards, earn from new product launch activities etc. Moreover because Paradise Park is a shopping mall which was renovated from formerly Seri Center, core management intent to let Paradise Park become continuously popular in a short time. In addition, that will have an effect on rental fee, which will increase in next term of contracts and to increase income in a long term.



### THE IMPORTANT REVOLUTION AND DEVELOPMENT IN THE PAST YEAR

In the past year Paradise Park Shopping Center was the newest mall on Srinagarindra Road. It was the result from the total renovation of both outside appearance and interior design, of the original Seri Center. The floor plan and mix of stores were newly improved under the theme ‘the Greatest Shopping Paradise of Eastern Bangkok’. The biggest launching event took place in August 2010, making Paradise Park Shopping Center well known among people very quickly and becoming the focus of rival shopping center in the nearby area.

### NATURE OF SERVICES AND FUTURE MARKETING COMPETITION

Paradise Park is located on Srinagarindra Road, 8.7 km. There are shopping malls that operate the big shopping mall business and having similar nature of business to Paradise Park such as Seacon Square, which is located only 300 meters away from Paradise Park and Central Bangna, which is located on Bangna-Trad Road 3.5 km. Both of them have been operated for more than 17 years and each has its own customer base and Paradise Park also. Paradise Park has its previous customer base from Seri Center together with the new customer base of Paradise Park its own by setting competition strategy and marketing positioning in order to be a shopping mall that is completely different from its competitors in respect of shopping mall decoration, interior and services that focus on convenience for customer, as well as interesting marketing activity operation and continuously operating in every festival in order that Paradise Park will be the most noticeable shopping mall in Eastern Bangkok.

### THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

#### I. WASTEWATER TREATMENT

The Paradise Park Shopping Mall has been using the Activated Sludge process (AS), a water treatment method, in Building 1 and the Sequencing Batch Reactor (SBR), an activated sludge process designed to operate under non-steady state conditions, in building 2 and 3 after a complete renovation in June 2010. The use of two types of wastewater treatment relates to the volume of wastewater in each building - wastewater volumes of building 1 of 500 cube meter per day, wastewater volumes of building 2 and 3 of 1,500 cube meters per day.

Operating and controlling wastewater treatment, the Paradise Park Shopping Mall has all data recorded, the operational results reported regularly, water samples collected to the operating rooms every month for water quality tests. The shopping mall is able to have standard treatment as Building Type A (Reference the Enhancement and Conservation of National Environmental Quality Act, B.E. 2535)

### **1.1 Waste occurring due to wastewater treatment**

The total amount of waste of three buildings is 500 kilogram per week and the shopping mall hires a contractor to sanitarily dispose the waste.

### **1.2 Outdoor air quality owing to the cooling tower system**

The cooling tower system is a part of the water cooling system to blow the cool wind in the shopping mall. The engineer department has monitored the Legionella bacterial contamination in the system. As a result, they have collected water samples from cooling tower to the operating room for Legionella bacterial detection three times per year.

### **1.3 Indoor air quality**

The Paradise Park Shopping Mall renovated the indoor environmental quality through designing to install the aspirating aerators and cleaning the supply air ducts in central area and shops in order to remove dust, bacteria, and other microbes that accumulates in the supply air ducts to improve indoor air quality via the operating plan every three years.

### **1.4 Indoor tap water quality**

The Paradise Park Shopping Mall has operated to measure tap water quality in several points of the buildings comparing to the drinking water standard through the operating plan every 12 months.

## **2. THE ENVIRONMENTAL BUREAUCRACY'S MONITOR**

Related Agencies are responsible for monitoring owners of premises to work on the environmental impacts due to premises activities compliance with the standard and building control regulations. The bureaucracies that the Paradise Park has cooperated with are namely:

- 2.1 Pollution Control Department, Ministry of Science, Technology and Environment
- 2.2 Department of Health, Ministry of Public Health
- 2.3 Water Quality Control Division, Bangkok

## **THE NINE NEIGHBORHOOD CENTER**

### **NATURE OF BUSINESS OPERATION**

The Nine Neighborhood Center offers rental spaces within the mall, consisting of:

- Office buildings 8,979 Square Meters
- Retail buildings 12,131 Square Meters

### **THE SIGNIFICANT CHANGES AND DEVELOPMENTS IN THE PREVIOUS YEAR**

The Nine Neighborhood Center is the new shopping mall located on Rama 9 Road heading towards Suvarnabhumi Airport and eastern provinces of Thailand under the construction standard and rapid progress in the past year with the productive investment. These have been regarded as a great step to turn Premier Complex, Rama 9 Road into the Community Mall, meeting point, and one-stop service center, to fulfill the needs of people living in Rama 9, Suan Luang, Ramkhamhang and Srinagarindra areas. It was open in July 2011 on the theme of the "Tropical Village" highlighting on the nature and the vertical garden decorated with real trees, by professionally interior designers, makes you feel like having a relaxing walk in a garden together with marketing activities creating new customer experiences that have been chosen and changed every week. During the past year of 2011/2012 each activity left new experiences and impressions on customers, making them come back continuously.

### **THE SERVICES AND THE MARKETING AND COMPETITIVE CONDITIONS**

The Nine Neighborhood Shopping Center is located on Rama 9 Road. To the south it is adjacent to Rama 9 Road and Soi Rama 41 to the east. It consists of 9 buildings in 2 formats: retail space and office space. The rental space comprises of more than 80 shops from various professional business operators such as restaurants, coffee



shops, bakeries, educational institutions, beauty salons and activity zone designed to support various types of marketing activities in every season. There is also convenient parking space. The shopping center emphasizes on the selection of outstanding restaurants and the offer of impressive atmosphere for customers. ABAC Poll Research Center revealed the result from the survey on opinions of people in Bangkok on community malls. The survey showed that during the past 3 months people who lived in Bangkok went to a community mall at least once a month to dine or meet with friends. The reason they selected a community mall was that it was close to home, which is a more important factor than having a complete range of modern products and services. People decide to go to community malls because they are located in a location with convenient access.



The image of a community mall is different from a normal department store or shopping center. It is not more unique in terms of having consumer products or fashion products such as clothes, bags, shoes and accessories. On the contrary, a community mall has a more outstanding image as a meeting point and a place to eat.

A nearby department store is Central Rama 9, which is a big shopping center in Central Group. It is located on Ratchadapisek Junction, 8 kilometers from the Nine Neighborhood. It was officially open on December 14, 2011. The target customers are the ones who live on Ratchadapisek Road. The Nine Neighborhood's target customers on Rama 9 Road mostly prefer convenient transportation and want to avoid traffic jam. So customers from Rama 9, Ramkamhang, Srinagarindra and Suan Luang areas still come to the Nine Neighborhood continuously. Therefore, the opening of Central Rama 9 did not affect the number of customers coming to the Nine Neighborhood very much.

Thanya Shopping Park Plaza, operated by Thaniya Group, is located on Srinagarindra Road. It is a community mall under the slogan 'Close to Home Shopping Mall among Nature'. It is not yet open and situated 7 kilometers away from the Nine Neighborhood. With the difference in the market position, Thanya Shopping Park Plaza is not a direct competitor of the Nine Neighborhood. However, the Nine Neighborhood's competing strategy is to set itself apart in the market as being the Tropical Village, emphasizing on the nature, garden and green atmosphere inside the Nine. With the adaptive interior design and services that emphasize on convenience, the Nine becomes the place for relaxation and family activity. Its big activity area has hosted various and interesting activities for customers of all ages all year round. It also offers a variety of shops and services such as banks, tutoring schools, home decorations, sport equipments, spa and beauty salons, fashion and other services more 80 shops. In addition there is the Seri Market that offers varieties of premium food. The Nine offers the parking space to accommodate up to 800 cars, with security measures and the CCTV system. With above reasons and the location on the potential Rama 9 Road, the Nine will meet the needs of continuous flow of customers as the outstanding meeting point in eastern Bangkok.

After its opening in July 2011, the Nine has received positive feedbacks and high number of customers. It also received positive attention from media after a successful event called 'Reporters Coming to Sell' that aimed to invite the press to the Nine and promoted the place in the mass media. The Nine became the most popular among the same types of shopping mall because of its green atmosphere, beautiful design, ability to meet the demands of the locals and innovative marketing activities. The Nine supports the purchasing power of customers in eastern Bangkok, being the new meeting points for people of every lifestyle and a place of your relaxation.

## THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

### THE CURRENTLY ENVIRONMENTAL CONSERVATION AND PRACTICES

The Nine Neighborhood Center is aware of the possible environmental changes that could affect people living in the nearby area. As a precaution measure, The Nine Neighborhood Center installed a standard water treatment system to treat waste water before releasing it to the public drain pipes. It also has a work plan to prevent carrier animals within the mall so that there would not be any effect on the community. This policy also conforms to the principle of good corporate governance.



## GLAS HAUS BUILDING COMPANY LIMITED

### NATURE OF BUSINESS OPERATION

Glas Haus Building Company Limited is a real estate development business that provides office space for both long-term and short-term rent. Most of the revenues come from rental fees, advertising sign rental, and parking fee. The main responsibility focuses on the management service for tenants.

### THE SIGNIFICANT CHANGES AND DEVELOPMENTS IN THE PREVIOUS YEAR

Glas Haus Building Company Limited had fixed and improved various systems to improve the image of the building and to prevent any effect on the office space tenants. There were also management evaluations from tenants so that the Company could improve on the office building management according to the complaints and suggestions from the tenants.

### THE SERVICES AND THE MARKETING AND COMPETITIVE CONDITIONS

Glas Haus Building is located on no. 1, Sukhumvit 25, Khlongtoey, Bangkok. It is a rental office building with approximately 15,000 square meters space for rent. The building is equipped with all service systems and also convenient to access from various means of transportations including public buses, BTS, MRT or San Sab Express Boat (Prasanmitra Port). The competition of office space for rent on Asoke Junction, Sukhumvit Road is very aggressive because it is the area with a lot of foreign residents. The nearby rival buildings include Interchange Building and Exchange Building that is 300 meters away and Jasmine Building which is directly adjacent to Glas Haus Building. All 3 buildings are new office buildings for rent with more modern design. So the competitive strategy of Glas Haus Building is to offer various sizes of space for rent. The smallest lot is only 30 square meters while a large space for rent is up to 411 square meters. The building is then able to cater both starting businesses and big businesses while the nearby buildings only offer spaces for big businesses and are not suitable for small businesses that do not need much space. Moreover, Glas Haus Building also adopts the service management of MBK Group to improve its services such as the cleaning service, security service, and maintenance service within the building. Tenants will feel more confident in the building's effectiveness and standard services.

### THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

Glas Haus Building Company Limited is aware of the importance of the best security measure for tenants as well as the responsibility towards environment and community. So the following measures are adopted in the building's facilities.

- **WATER SUPPLY SYSTEM :** There is a test of the quality of water and waste water every year for the safety of tenants.
- **AIR CONDITIONING SYSTEM :** There is a test of the bacterial contamination in the cooling tower twice a year in order to find Legionella Bacteria that could affect the respiratory system.
- **SECURITY MEASURE :** There were installations of the following security equipments:
  - Automatic Fire Extinguishing System such as Sprinkle System
  - Fire Warning System on every floor
  - Standpipe System to store water and Inlet Valve



- Handheld Fire Extinguishers
- Emergency Light System along the fire escape route
- Lightning Prevention System
- Floor plan indicating the location of each room attached in the front of elevators on every floor
- Smoke Control System to prevent smoke to spread to other floors

## GLAS HAUS RATCHADA COMPANY LIMITED

### NATURE OF BUSINESS OPERATION

Glas Haus Ratchada Building is an office building for both long-term and short-term rent. It focuses on tenants of office spaces for various businesses. At present Thanachart Bank has rented 100% of its space to operate its financial business. The area around Glas Haus Ratchada Building is also open for auto auction events and normal shops. The glass pane around the building is also available for advertising.

### THE SIGNIFICANT CHANGES AND DEVELOPMENTS IN THE PREVIOUS YEAR

In 2011/2012 Glas Haus Ratchada Building did not have many changes within the building as it is fully occupied. However, between September to October 2011, there was a change of the tenant of the building because of the merger between Thanachart Bank and Siam City Bank. Therefore, during the merger, there were more parking lots open as well as the increase of other facilities.

### THE SERVICES AND THE MARKETING AND COMPETITIVE CONDITIONS

At the moment 99% of the space within Glas Haus Ratchada Building is occupied by Thanachart Bank. The building is set to be the IT and training centers of the bank. Therefore, Glas Haus Ratchada Building has organized its space and security system to specifically serve employees that come in for training.

Glas Haus Ratchada Building realizes that Ratchada Road has an increasing number of office buildings to relieve the density in the A area. Moreover, the communication and transportation nowadays is more convenient while there are also more shopping center open on Ratchada Road as well as condominium buildings. Therefore, in the future, there should be more demands of rental space on this road.

At the same time there are more competitions in the office space business on this road. There are new buildings being constructed during the past 1-2 years such as Cyber World Tower, a skyscraper with office building for rent. The new Central Department Store on Rama 9 junction also has its top floors available for rent. So, in the future there will be more competitions on Ratchada Road.

## THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

Glas Haus Ratchada Building is aware of the possible environmental effects on the area around the building. The Company also has a policy that focuses on the environment.

### MEASURES AGAINST ENVIRONMENTAL EFFECTS OF GLAS HAUS RATCHADA BUILDING

#### ■ EFFECT FROM WASTES

At present Glas Haus Ratchada Building has separated dangerous waste, such as light bulbs, from normal waste and hired Din Dang District Office to get rid of those wastes.

#### ■ EFFECT ON WATER

Glas Haus Ratchada Building realizes the importance of the water system of the building including the system to release waste water from the building and the water supply system. The building has checked the quality of water in every 12 months to make sure it is up to the standard of drinking water. The building also informs the tenant to add more water filters on every floor. As for the waste water, Glas Haus Ratchada Building has treated the waste water before releasing it out of the building. At the same time the building will test the quality of the waste water before releasing it to the public system in every 12 months. Glas Haus Ratchada Building also hires Din Dang District Office to either get rid of or recycle the residues from waste water.

#### ■ EFFECT FROM NOISE

In order to prevent the problem from noises within the office of the tenants, Glas Haus Ratchada Building has set up a maintenance plan for machines installed on each floor so that there will be a minimum of noises interfering the work of the tenant.

#### ■ EFFECT FROM AIR

Glas Haus Ratchada Building has used the Cooling Tower System and the water cooling system. The engineering department of the building is well aware of the importance of the monthly cleaning of the air cooling ventilation system and the lab test of the quality of the cool water that is distributed into the system. The building also has a fresh air ventilation system within the building so that the tenant will have quality air. At the same time there is a system to release polluted air out of the building. Glas Haus Ratchada Building has also has a measure to control the burning of any materials or trashes within the building in order to prevent any direct effect on the environment.



## HOTEL AND TOURISM BUSINESSES

### HOTEL BUSINESS

Hotel business is operated by MBK Hotel and Resorts Company Limited (“MBK-HR”), MBK Business Company Limited (“MBK-BUS”), Supsinthanee Company Limited (“SSTN”) and Lanta Land Development Company Limited (“LLD”). The hotels which have been opened for business include the following:

1. Pathumwan Princess Hotel, Bangkok, is operated by MBK Hospitality Management Company Limited (MBK-HM). It has been opened for business since 1996.



2. Sheraton Krabi Beach Resort, Krabi Province, is operated by STARWOOD. It has been opened for business since early 2003.
3. Tinidee Hotel@Ranong (formerly Royal Princess Ranong Hotel), Ranong Province, is operated by MBK-HM. The hotel was already in operation before MBK acquired shares in SSTN on August 20, 2002.
4. Tinidee Inn, located in the same area as Tinidee Hotel@Ranong, is managed by MBK-HM. The hotel is open since April 2011.
5. Tinidee Hotel@Phuket is located in Phuket province, managed by MBK-HM. The hotel is opened since November 2010.



6. Layana Hotel is located on Lantayai Island in Krabi Province. It is managed by MBK-HM. The hotel has already been open before the takeover from MBK in April 2011.

MBK-HM was founded since 2010 to manage associated hotels and offer hotel management service to hotels in Thailand and abroad.

## **PATHUMWAN PRINCESS HOTEL**

Pathumwan Princess Hotel is located in Bangkok and operated by MBK-HM. The hotel has commenced operations since 1996. The hotel offers services in several areas accommodations such as 455 non smoking guestrooms, the banquet rooms, the seminar rooms, the restaurants, the fitness center and the spa.

### **MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR**

In 2011/2012 Pathumwan Princess Hotel had made many modifications, which are as follows:

1. Renovates and modifies meeting rooms, underground floor. The modification started on June 2011 and expected to be completed by the end of November 2012.
2. Investment on installing WiFi all over the Hotel building, with THB 3 million investment.
3. Installed 2 more elevators with THB 20 million investment.
4. The Marketing
  - Emphasized on the efficiency of selling through internet or other electronic media, which allow the Hotel to reach its customer directly. This helps lessen the process of going through the middleman and able to sell rooms at a higher rate. The Hotel had increased the potentiality by signing contract with Travel CLICK Company Limited which use online booking system and price distribution system to online travel agents.
  - Emphasized on selecting group of customers with higher potentiality such as seminar group or groups that received travel awards. Most of them are the foreign customers from countries whose economies remain robust or stable. The Hotel emphasize on the beautiful modern style guest rooms and meeting rooms which was newly renovated. This is to represent the worthiness of staying with the Hotel and to actuate the customers to extend their average staying period.

- The hotel will seek for new groups of customer in various regions of the world. The objective is to achieve a stable occupancy rate throughout the year.
- The hotel will make more use of advanced technology and communication technology such as giving out WiFi signal to customer without extra charge to increase customers' privileges. This will attract customers to use more of the Hotel's products and services as well as to enhance the convenience and timely and also meet the customer need in large area.
- The hotel joins other hotels of MBK Group in their sales promotion activities. As well, it will promote cross-selling with the available services of MBK Group, such as golf courses and spa operators.
- Focuses on selling rooms together with food and beverages.
- To maintain customer base and expand Hotel's customer base with Loyalty Program and to create more activities for customers that are memberships (CRM).
- To develop and expand member of Loyalty Program and to manage ways of communication in the customer database (CRM).
- Upgrading facilities in the Hotel rooms such as using Capsule coffee maker in the Execu Plus Suit and Suit room.
- Develop and expand members as well as manage communication through Social Media.

## **THE PRIMARY TARGET MARKET OF PATHUMWAN PRINCESS HOTEL**

**THE PRIMARY TARGET MARKET** includes travelers from Australia, Singapore, Hong Kong and the United Kingdom as these countries still have strong potential in terms of financial and economic growth.

### **THE HOTEL'S SECONDARY TARGET MARKET**

- Customers that book through internet.
- The group of travelers with Bangkok as a stopover or while they wait for connecting flights.
- Customers that have certain traveling season of the year such as customers from Scandinavia, New Zealand and Customers from Middle East.
- Customers that never use Hotel services but have the efficiency in paying such as China and Europe.

## **CHANNELS OF DISTRIBUTION OF PATHUMWAN PRINCESS HOTEL**

Pathumwan Princess Hotel has established the following channels of distribution:

- Selling directly to companies and commercial establishments
- Selling through local travel agents and overseas tour operators in different regions of the world
- Selling via the internet
- Selling through leading airlines' systems
- Selling through press, advertisement and public relations
- Selling during tourism promotion events
- Selling through the hotel's network channels, i.e. those of the Dusit Princess Group
- Direct sales to government sector, public enterprise and other associations.

## **COMPETITIVE OF PATHUMWAN PRINCESS HOTEL**

In 2011/2012 hotel business in Bangkok was adversely affected by the flood in Bangkok and other provinces in Thailand. Though Pathumwan Princess Hotel was not directly affected but the flood news made tourists cancel their reservations, causing the loss of income of over THB 12 million at which the impacts had given rise to a very fierce price competition. However, due to its recent renovations on the guests room and the conference rooms, accompany with its good location and an increase in the quality of good services, Pathumwan Princess Hotel was able to attracted tourists that were the main target group. Although, the occupancy rate decreased down in accordance with the market's situations and the increases in new guest rooms but the Hotel was able to maintain the market share in good criterion when compared with its competitors.

## **PATHUMWAN PRINCESS HOTEL'S INDUSTRY OUTLOOK AND COMPETITIVE IN THE FUTURE**

The factors which impact to Pathumwan Princess Hotel's industry outlook and competitive in the future are as follows:

- Since overall global economy has not recover from last year causes tourist to change their spending behavior. This make tourists spend less on travelling.
- The country's domestic politics after the election since 3<sup>rd</sup> July 2011 may effects the amount of tourts visiting Thailand.
- There are quite a number of new hotels in bangkok which increased the number of available guest rooms, especially Sukhumvit and Rama 1 Road area.
- Airline starts new route by providing direct flight to other provinces. This allow tourist to reach their destination in other province without having to stopover in Bangkok.
- Environmental problems, traffic jams and pollution
- Stronger Thai baht



#### **ACTIONS TAKEN BY PATHUMWAN PRINCESS HOTEL TO REDUCE THE IMPACT ON THE ENVIRONMENT**

Pathumwan Princess Hotel has the same environmental protection measures as those of MBK Center since the hotel is located in the same building of MBK Center (see details on Page 019).

### **SHERATON KRABI BEACH RESORT**

#### **MAJOR CHANGES AND DEVELOPMENTS IN 2011/2012**

- Join more tour operators both local and overseas to do marketing strategies and to prepare for the travelling season at the end of the year.
- Changing from 25" normal television to 32" LCD TV. The changed are made with 60 more rooms.
- For marketing, the Hotel started to do offensive marketing for Singapore market to support the direct route of Tiger Airline.
- To maintain marketing target group by increasing special promotion to the target group which are Europe and Scandinavia which are the Primary market during travelling season.
- Proceed in expanding new market such as India and Middle East to increase booking during low season.
- Improvement of OTA online market and Retail by included all the Starwoods network as well as Worldwide leading tour company at which the feedback is very satisfying.
- Signing a contract with Mandara Spa in joining in investment of THB 5 million per person to renovate Mandara Spa. The renovation was completed at the end of November 2011.
- The THB 5 million Club Lounge's renovation was completed in the mid October 2011.
- Received approval to proceed with renovating guest rooms in 2 buildings during Low Season of the year 2011/2012 (August -October) with THB 75 million budget. After this renovation 6 of the guest rooms will be replace by 6 Suits, due to the fact that there are only 6 suits which is not inline with the number of customer requesting for Suit room. One building was completed at the end of November 2011 and another building in the mid of December 2011.

#### **TARGET MARKET OF SHERATON KRABI BEACH RESORT**

**SHERATON KRABI BEACH RESORT'S PRIMARY TARGET MARKET** includes leisure travelers. These include tourists from Europe, Scandinavia, Australia, the U.S.A, Canada and India.

**SECONDARY TARGET MARKET** includes the seminar groups and the companies that would like to arrange the meeting.

## CHANNELS OF DISTRIBUTION OF SHERATON KRABI BEACH RESORT

Sheraton Krabi Beach Resort has established the following channels of distribution:

- Selling directly to companies and commercial establishments
- Selling through local travel agents and overseas tour operators in different regions of the world
- Selling via the internet
- Selling through leading airlines' systems
- Selling through press, advertisement and public relations
- Selling during tourism promotion events
- Selling through the hotel's network channels, i.e. those of the Starwood Hotel Group
- Improve and expand China market to increase customer base and sales during Green Season.
- To keep the same target group and expand Australia market both high and low season.
- To increase the consistency of occupation, the hotel made a contract with Thomson Airways to have the crew stay at the hotel from November 2011 - March 2012.

## COMPETITION FACING SHERATON KRABI BEACH RESORT

The hotel was affected by the flood at the end of the year 2011 while the guest room renovation in two buildings was delayed. Because of the flood situation across the country, constructors could not find some materials, which caused the delay. At the same time, the hotel industry in Krabi becomes more intense as there is a significant increase in the number of 4-5 star hotels. However, it does not have an impact on Sheraton Krabi Beach Resort, mainly because of its long-term competitive potential. The Hotel is using the brand name of the Starwood, international hotel operator which is well known worldwide for the quality and standards in terms of location and services. Importantly, the size of Sheraton Krabi Beach Resort is fairly large and is able to accommodate big groups of customers or many groups at the same time.

## INDUSTRY OUTLOOK AND COMPETITION FACING SHERATON KRABI BEACH RESORT IN THE FUTURE

The factors which impact to Sheraton Krabi Beach Resort's industry outlook and competitive in the future are as follows:

- Overall global economy results in the change of behavior of tourists which make less tourists travel overseas.
- The numbers of flight schedules and flights flying to Krabi Province are inadequate and not in line with the number of visiting tourists or the number of guest rooms available in Krabi Province. The problems represent an obstacle to the number of guests staying in each hotel. However, it is expected that there will be direct charter flights from China to Krabi Province this year. If this is as mentioned, the number of tourists visiting Krabi Province and the number of guests staying at Sheraton Krabi Beach Resort will increase.

## ACTIONS TAKEN BY SHERATON KRABI BEACH RESORT TO REDUCE THE IMPACT ON THE ENVIRONMENT

Sheraton Krabi Beach Resort has taken the following actions to reduce the impact on the environment.

1. Wastewater
  - 1.1 Put in place a wastewater treatment pond and a wastewater treatment system
  - 1.2 Monthly check the quality of water
  - 1.3 Use the treated water in maintaining gardens
2. Garbage
  - 2.1 Separation of wet and dry garbage as well as garbage that can be recycled
  - 2.2 A special room for keeping wet garbage at 15 degree Celsius
  - 2.3 A vehicle to pick up and dispose of the wet garbage daily
  - 2.4 Production of biofertilizes to reduce the quantity of garbage
3. Noise Pollution
  - 3.1 Appointing committee to work in environment and energy conservation.
  - 3.2 Sheraton Krabi Beach Resort received commemorative plaques for being an outstanding business operator at the provincial level in the areas of bio-sanitation and workplace environment in 2008, 2009 and 2011.

## TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL

### MAJOR CHANGES AND DEVELOPMENTS IN 2011/2012

In the past year, Tinidee Hotel@Ranong improved its guest rooms amount to 46 rooms by using commercial building area begin on September 15, 2010 and finished to service on April 13, 2011 which use the name of “Tinidee Inn” in order to support economize room group market. At present it is accepted by the customer rather as well.

In June 2011, the hotel rented the Raksa Warin Natural Hot Spring from the local municipality in order to offer more services to the member guests. The construction started in May 2011. The hot spring was open in August 2011 and has received positive feedbacks.



### TARGET MARKET OF TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL

The primary target market of Tinidee Hotel@Ranong and Tinidee Inn Hotel includes

- The Government sector
- The company groups, store groups concerning with fishery business
- The foreign tourists with long term package tour in many provinces
- The healthy tourists
- The group of sales representatives in Ranong, Phuket and Chumporn.

### CHANNELS OF DISTRIBUTION OF TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL

- Selling directly to companies and commercial establishments
- Selling by distributing leaflets on special occasions which take place at different periods of the year
- Selling directly to government agencies including ministries, bureaus and various departments which have potential for using the hotel for their training activities and seminars as well as website operators
- Selling in tourism promotion events
- Selling via the internet
- Putting an advertisement billboard on Petchkasem Road, which is the main road to Ranong

### COMPETITION FACING

#### ■ TINIDEE HOTEL@RANONG

Tinidee Hotel@Ranong is well known to both Thais and foreigners for its high quality service standards. It is a big hotel in Ranong province, which is capable of accommodating a large number of seminar participants. It has only one competitor of the same size and standards in the province.

#### ■ TINIDEE INN HOTEL

As Tinidee Hotel@Ranong has been acknowledged as having a standard and security, the newly open Tinidee Inn thus received good feedbacks from customers with limited budget.



## INDUSTRY OUTLOOK AND COMPETITION FACING TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL IN THE FUTURE

The tendencies of industrial in Ranong is growing in the future.

- Knowing that mineral water in Ranong province is the best in Thailand and is one of the best three mineral water in the world.
- Knowing more about Payam Island which is the new popular tourist attraction.
- Expanding road to make it more convenience to travel and transportation.
- Expanding the harbour to increase opportunities in shipping goods from Andaman coast.
- A Small airline reopen direct flight to ranong.

## THE COMPETITIVENESS OF TINIDEE RANONG HOTEL AND TINIDEE INN HOTEL

- At present there are many new small resort-styled hotels, which do not have a direct effect in terms of competition.
- There may be more direct effects on the competition in seminar and catering service in terms of the size of venue. The Hotel had adjusted its strategy by focusing on quality and service standard as well as a more conveniently-accessed parking space.

## ACTIONS TAKEN BY TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL TO REDUCE THE IMPACT ON THE ENVIRONMENT

1. Wastewater
  - 1.1 Put in place a wastewater treatment pond
  - 1.2 Check the quality of water every quarter
  - 1.3 Use the treated water in maintaining gardens
2. Garbage
  - 2.1 Separation of wet and dry garbage as well as garbage that can be recycled
  - 2.2 Municipal vehicles to pick up and dispose of the garbage daily
3. Smoke produced by steam engines from burning fuels
  - 3.1 Maintain the steam engines annually
  - 3.2 Engineers regularly test and certify the efficiency of the burning process

In addition, the Hotel has taken the following measures aimed at preventing problems from affecting the environment in other areas.

1. Establish a special committee responsible for managing safety, bio-sanitation, and workplace environment.
2. Promote communication systems using emails in order to reduce paper use.

## TINIDEE HOTEL@PHUKET

### TARGET CUSTOMERS OF TINIDEE HOTEL@PHUKET

- **MAIN CUSTOMERS** are employees from companies, shops and travel agencies.
- **MINOR CUSTOMERS** include employees from government agencies, state enterprises, independent organizations and customers who make direct reservations through websites of online agencies.

### CHANNELS OF DISTRIBUTION OF TINIDEE HOTEL@PHUKET

Tinidee Hotel@Phuket has the following sales channels:

- Direct sales to companies and shops
- Via travel agencies in Thailand and worldwide
- Via electronic media or websites
- Via top airlines
- Via press, advertisement and public relations
- In tourism events and exhibitions

- Via network Hotels in MBK-HM group
- Attached to golf packages
- Via Golf Agents

## COMPETITIVENESS OF TINIDEE HOTEL@PHUKET

At present customers tend to make a reservation online. Travel agencies are less popular. Customers can find and choose hotel with a reasonable price. Hotels then aim to offer more attractive prices and online promotions online. Mostly, customers still prefer seaside hotels. Buildings being renovated into hotels and guest rooms increased



significantly in Pathong area. Commercial buildings became budget hotels and offer services and facilities at the same level of 3-5 star hotels such as WiFi internet, hotel pickups and transportation service at a special price.

## FUTURE TREND AND COMPETITION OF TINIDEE HOTEL@PHUKET

Real estate business in this province has grown considerably. More foreigners like to buy real estate and rent out, especially private villa-styled houses and condominium, which is cheaper than normal hotels. This affect the number of guests staying at hotels. As a result, Tinidee Hotel@Phuket invested THB 20 Million to build a club house that consists of swimming pool, fitness center and spa.

## LAYANA RESORT AND SPA

### MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

- There was a soft renovation for suites and standard rooms with a budget of THB 12.85 Million. The renovation in standard rooms was complete in the mid of October 2011. At the same time, only 2 of 6 suites were finished as there were still guests, causing the hotel not to be able to shut down the suites for a long period of time. The renovation will resume in May 2012.
- A budget of THB 4 Million was used to purchase new fairies to replace the old ones.

### TARGET MARKET OF LAYANA RESORT AND SPA

- **THE MAIN TARGET CUSTOMERS** are from England, Germany and European countries, who are likely to come during the high season (November - April). The main target group includes honeymooners, retirees and adults. The hotel does not have a policy to accept the guests under 18 years old.
- **THE SECONDARY TARGET GROUP** is from Australia and Asian countries who make a reservation online. They will come to stay during the low season (May - October).

## CHANNEL OF DISTRIBUTION OF LAYANA RESORT AND SPA

- Selling through tour agents
- Do a direct sale to Resorts
- Selling via the internet
- Selling through agents in other countries such as Australia, England, German or through Social Media.



## COMPETITIVE OF LAYANA RESORT AND SPA

Due to the fact that the Hotel had clearly made the goal of the target group such as not accepting customers whose age is below 18 to be able to emphasize on the target group that comes for a honey moon or the elderly that need peaceful and quiet environment as well as the privacy, therefore the Hotel is the lead on Koh Lanta and was voted in Trip Advisor and Holidaycheck.com to be number one for 3 consecutive years.

## INDUSTRY OUTLOOK AND FUTURE COMPETITION OF LAYANA RESORT AND SPA

To increase customers that will book rooms during low season such as customer from Australia, by using Pathumwan Princess Hotel which is quite well known in Australia market to lead and may increase Honey Moon customers from Korea and Japan. Although research must be made on the limitation of the flight to Krabi, as there is no flight that will flew from Austrlia to Krabi. Australia's customers view that it is inconvenience so Layana Resort and Spa needs time to promote the Destination of Koh Lanta as the main

## TOURISM BUSINESS

Air ticket, hotel reservation, and car rental services are operated by Absolute Travel Company Limited ("ALT") while local and overseas tour services are operated by MBK Leisure Company Limited ("MBK-LS").

## GOLF BUSINESS

The golf business is operated by MBK Resort Public Company Limited ("MBK-R") and Riverdale Golf and Country Club Company Limited ("RDGCC"). The detail of business is as follows:

The golf business in Phuket Province is operated by MBK Resort Public Company Limited ("MBK-R"), an indirectly which MBK indirectly holds 72.61%. MBK-R has two golf courses which are currently operating open for golfers business. These include Both of the Loch Palm Golf Course ("LPGC") and the Red Mountain Golf Course ("RMGC") is located in Kathu District, Phuket Province.

LPGC is a standard golf course with 18 holes, par 72, on an area of about 500 rai. It has been specially designed, taking into consideration the unique characteristics of its landscape. These include a large lake and a long line of fresh green palm trees which are the main elements of the golf course. For the convenience of golfers who need a warm-up before playing a round, there is a driving range located in the same area.

RMGC is MBK-R's second golf. It is a new premium golf course with 18 holes, par 72 on an area of over 600 rai which is adjacent to the LPGC Golf Course. The new clubhouse equipped with full amenities is located at the foot of the hill where golfers can have a clear view of the whole landscapes. In addition, it provides golfers with golf driving ranges and other facilities including putting greens for practicing, which are well maintained and look like the real ones. The driving ranges and available facilities enable golfers to enjoy the game more than before.

The golf business in Pathum Thani Province is operated by Riverdale Golf and Country Club Company Limited ("RDGCC"), with a golf course that has been open since June 2010 called 'the Riverdale Golf and Country Club'. Located in Bang Kradi District, Pathumthani Province, it is a standard golf course with 18 holes, par 72, on an area of about 346 rai. The golf course has been specially designed, based the concept of a golf course in the valleys. To achieve such an impressive landscape, it is necessary to dig over 10 meters down into the earth. The purpose is make the golfers feel that they are playing golf in the valleys. The design also includes creation of hills in order to make the game more challenging for the golfers. As regards the club house, it incorporates modern design features and is equipped with a full range of amenities. Looking from the club house, the golfers will enjoy a beautiful panoramic view of the whole golf course as if they looked down from the top of a mountain. It also has driving ranges for golfers and a putting green which is maintained as well as real golf course in order to practice and get prepared before playing.

In 2011, the golf business has signed up for being a business alliance with 6 leading golf courses in abroad:

1. The Singapore Island Country Club, Island Club Road, Singapore
2. Tanah Merah Country Club Bintan Lagoon Resort, Changi Coast Road, Singapore
3. Macau Golf & Country Club, Ilha de Coloane, Macau
4. Bintan Lagoon Resort, Jalan Indera Segara Site A12. Bintan Utara, Lagoi, Kepri, Indonesia
5. The Empire Hotel & Country Club, Brunei
6. The Royal Salangor Golf Club, Malaysia

Being their business alliance has resulted in an increase in revenue from members of golf partnership under the provisions of a reciprocal agreement. Furthermore, the members also receive the privileges from our business alliances. During 2011-2012, we have planed to further expand the number of international alliances in order to increase the number of golfers visiting the course.

Besides, being a business alliance during in 2011-2012, we have hired MBK Hospitality Management Company Limited ("MBK-HM"), administrating the subsidiaries of MBK hotels business, to operate and improve golf course's quality and services to get the standard at the same level as leading golf courses which are able to greatly impress golfers.

For launching the golf business the Distribution channels of golf business is divided into such course as follows:

## **LPGC GOLF COURSE AND RMGC GOLF COURSE HAS DISTRIBUTION CHANNELS WHICH DIVIDE BY CUSTOMER GROUP INTO TWO CATEGORIES AS FOLLOWS:**

### **■ OVERSEAS CUSTOMER TARGET GROUPS**

Asian, European and Australian tourists who are the majority of the Loch Palm Golf Club (LPGC) and the Red Mountain Golf Club (RMGC)'s customers. The distribution channels are as follows:

- Through tour agents of LPGC and RMGC, both in Thailand and foreign countries such as Singapore, Malaysia
- Through online media such as websites and e-mails
- Through leading hotels in Phuket
- Members of golf partnership under the provisions of a reciprocal agreement
- Other affiliated companies from other businesses that share their customer database in order to expand their customer base

### **■ DOMESTIC CUSTOMER TARGET GROUPS**

Most domestic customer target groups consist of residents of Phuket and adjacent provinces as well as domestic tourists who are members and non-members visiting the golf courses on their own. There are six types of membership as follows:



- Permanent individual membership (only at LPGC golf course)
- Permanent corporate membership (only at LPGC golf course)
- Annual membership for local residents (only at LPGC golf course)
- Annual membership for civil servants (only at LPGC golf course)
- 30 years membership who are ownership of houses within LPGC and RMGC project
- One-year and two-year short-term membership (only at RMGC golf course)

Moreover the Golf Course can support the competition of the associations, the companies or the institutes which arrange to race the golf.

## **THE DISTRIBUTION CHANNELS OF RDGC ARE SIMILAR TO THOSE OF LPGC AND RMGC. THERE ARE TWO TYPES AS FOLLOWS:**

### **■ OVERSEA CUSTOMERS**

The majority of RDGC's customers are Asian and Australian tourists which use the following distribution channels;

- Travel agencies of RDGC
- Through online media such as websites or e-mails
- Members of golf partnership under the provisions of a reciprocal agreement
- Other affiliated companies from other businesses that share their customer database in order to expand their customer base

### **■ DOMESTIC CUSTOMERS**

Most of them are from Bangkok and Perimeter, foreigners working in Thailand who are the members of Riverdale Golf Club card, offering the special discount for a card-carrying member, and walk-in customers. Moreover, there are customers who book tee-time scheduled all day long for competition that cause an income for RDGC by 10 percent of the total green fee

As well, both LPGC, RMGC and RDGC occasionally organize seasonal promotion activities and tournaments for associations and clubs in general.

Golf Business Our future goal is to become a leader in quality golf course at the same level as famous international golf courses and improve service standards; for example, providing high quality service and good taste, providing customers with the attentive and friendly staff.

## **MARKET CONDITION AND THE COMPETITION IN GOLF COURSE BUSINESS**

### **■ PHUKET**

In the year 2011, the competitive condition was still high as the large number of tourists visited Thailand, in comparison to the year 2010. Also, golfer chose to come to Thailand with high rate. Although there was an intensely competitive price in both offering a discount to those golfers and giving the discounted selling price to agents in Phuket Province. In addition, the agents competed with one another in cutting prices, allowing foreign customers, who bring in the main revenues for the golf courses in Phuket, to use services from the direct agents of the golf courses. However, MBK Resort Public Company Limited (MBK-R) still maintained 30 percent of golfers market share in Phuket Province.

LPGC and RMGC have an advantage over their competitors in the same area related to their locations that close to downtown and Patong Beach, the major tourist attraction in Phuket Province. In addition, both golf courses are large in which have potential to develop the additional facilities. These have caused the golf courses to be innovative and beautiful all the time, plus the natural scenery. Through this past year, LPGC had thoroughly achieved high level of booking. It is shown that LPGC is always popular.

## ■ BANGKOK

RMGC has received a great response from both foreign and domestic golfers due to the design of the challenge golf course, beautiful landscapes, maintaining the golf course in good condition regularly and fully equipped with all the amenities. All these factors led RMGC to become the top golf courses of Thailand within a short time. During the late 2011, RMGC received Platinum Award from HAPA in the golf course business category.

Although RDGC, opened since June 2010, is located in the area of its competitors, it has received a great response from golfers. Unlike its competitors, there is the outstanding design of the golf course, easy to reach the place that takes a few minutes from the city, as well as the perfection and challenge of its golf course. These make golfers want to test themselves on the new golf course and are attracted them to come back again.



## INDUSTRY OUTLOOK AND THE FUTURE COMPETITION IN THE GOLF BUSINESS

### ■ PHUKET

Both MBK-R's golf courses place emphasis on tourist customers who are their major customers. As a result, Industry Outlook and the Future Competition in the Golf Business are dependent upon external factors and effects, such as the world economy, wars, plagues, natural disasters, political problems etc.

For future competitors, due to the fact that the average price of lands in Phuket Province is very high, the number of new golf courses has remained stagnant in the near future. Hence, their competitors are still the same golf courses in Phuket Province as before, the tendency of golf business in the identical location of both MBK-R in the future is unexpected to be intense. Customers of travel agencies and travel operators were 35 percent of LPGC and 50 percent of RMGC. MBK-R not only used reformulation strategies but also described terms and conditions between their business and their agents that resulted in providing their agents with the alternative ways of business cooperation with MBK-R in the long term.

### ■ BANGKOK

The RDGC's target customers are Thai and foreigner operated their business and working in Thailand, since it is located near the city center. Besides, a group of tourist's who come to play golf and a group of customers who book tee-time scheduled for competition are potential customer groups in increasing a RDGC's income in the future. The industry trend and the future competition of RDGC mainly depend on domestic factors and effects, such as the economic conditions of the country and political issues.

In the future there will be new golf courses open in the nearby area. Existing golf courses will also improve and add more holes. There are already competitors in the area, making the market highly competitive. However, RDGC is still competitive for its outstanding design, easy access and good service. There is also a marketing plan to increase sale channels through tour and travel agencies. The course will work with its allied courses in expanding the market. RDGC has planed to launch a Night Golf service, which will differentiate the course from the competitors in the same level, offer more options for golfers and increase the rounds of golf per day.

## THE IMPACT OF GOLF BUSINESS OPERATIONS ON THE ENVIRONMENT

Business operations may affect the environment in the vicinity of golf course. Due to maintain their golf courses to be always in perfect and beautiful condition, the course needs to be fertilized and added chemical substance regularly. Nevertheless, LPGC, RMGC, and RDGC have realized the impact on the environment as mentioned above. We

have set the policy that reduces the use of fertilizers and chemical substance in maintaining the golf courses and tries to use the organic fertilizers and natural alternative instead. The annual examination of water quality in golf course ponds or water sources in our golf courses shows that pond water has the same water quality standards as water supply.

## REAL ESTATE BUSINESS

The real estate business is operated by Plan Estate Company Limited (“PST”) and its subsidiary, the subsidiaries of MBK. Their primary businesses includes:

1. Property development for sale business
2. Property management business
3. Asset appraisal and advisory service business



## SIGNIFICANT CHANGES AND DEVELOPMENT OF THE PREVIOUS YEAR

In the previous year, PST had operated significant real estate development business, which are as follows:

Projects in Phuket are as follows: Sabai Village 1, Sabai Village 2 and The Indy II phase 2 project. These projects target of both Thai and Foreigner customers that desire to live in the city and community area suitable for the middle class income.

### I. PROPERTY DEVELOPMENT FOR SALE BUSINESS

Property development for sale business is operated by PST. PST develops vacant land for sale with focus given to construction of detached houses for residential purpose. They are divided into two types including pre-built houses or built-to-order houses.

### TARGET MARKET OF PROPERTY DEVELOPMENT FOR SALE BUSINESS

1. First home buyers with upper-middle income level and above who need houses located in the Central Business District (CBD) or community areas.
2. Home buyers with high income who need second homes in the provinces for leisure purpose.
3. Investors who buy houses for the purpose of renting them out.

### DISTRIBUTION CHANNELS OF PROPERTY DEVELOPMENT FOR SALE BUSINESS

Distribution channels of property development for sale business consists of the following:

1. Through PST’s direct sales teams.
2. Through sales agents.
3. Through a mixed combination of advertising, public relations activities as well as promotion campaigns aimed at creating and expanding channels of distribution and at disseminating information to prospective customers and convincing them on the worthiness of the offered products.

### COMPETITION IN PROPERTY DEVELOPMENT FOR SALE BUSINESS

In the second half year of 2011, real estate for sale business still decelerated like the year 2010 because of the flood crisis in the country, the stability of the new government, the state’s measure and the rising cost of construction materials. The unrest in the south also affected consumers’ confidence causing the purchase decision for real estate to slow down. Therefore, operators needed to control the production cost to be suitable with the project.

The project was also smaller while marketing strategies were employed to reach new customers with high purchasing power. PST has experience and expertise in the real estate development with the strength in beautiful design and uniqueness that enables PST to meet clients' demands.

## **INDUSTRY OUTLOOK AND FUTURE COMPETITION OF PROPERTY DEVELOPMENT FOR SALE BUSINESS**

In 2012 the investment and new project launches tend to slow down as operators are more conscious and careful in buying new lands. They will take into consideration the effect from the flood in 2011 before making a decision. New real estate will focus on tall buildings or condominium to answer to the demand of consumers who are looking for a second house in the area unaffected by the flood.

As regards Phuket Province, demand for housing continues to grow. It is expected that demand for housing in the middle and low income markets remains strong. On the other hand, majority of the customers of the housing projects with unit prices ranging from middle to high levels are still foreigners who operate businesses or work in Phuket or surrounding provinces. Demand for these housing projects gets weaker as a result of domestic political unrest as well as the slowdown in US and EU economies. However, competition among housing projects around golf courses is not intense. This augurs well for PST's real estate development projects in the future.

## **2. PROPERTY MANAGEMENT BUSINESS**

Property management business is operated by PST. It is engaged in the business of managing properties as follows:

1. To look after and maintain the properties under its management, making sure that they are in good conditions and ready for sale.
2. To service including improvement, renovations of the properties.
3. Coordination with financial institutions in applying for loans for the buyers of the properties.
4. To act as a sales agent of financial institutions for their foreclosed properties.

At the present PST have more roles in operating real estate business by giving services in management and managing real estate efficiently both in continuously developing project, property maintenances, marketing and selling to increases the real estate value that are in the Company care. Projects and community that the Company had managed are as follows: Baan Suan Phuttamonthon Sai 1, Baan Suan Cha-am Beach, Glas Haus Building (Sukhumvit), Glas Haus Building - Ratchada and MBK Tower Building.

## **TARGET MARKET OF PROPERTY MANAGEMENT BUSINESS**

**THE TARGET MARKET** Most of PST's customers are those of financial institutions.

**TARGET GROUPS** of PST consist of the following:

1. Members of the general public who purchase the properties for residential purpose or for their own use
2. Retail investors who purchase the properties and renting them out for a return
3. Retail investors who purchase the properties for the purpose of renovating them and re-selling them to others
4. Big-scale investors who purchase the properties for further development
5. Debtors who are entitled to buy back the foreclosed properties

## **DISTRIBUTION CHANNELS OF PROPERTY MANAGEMENT BUSINESS**

The distribution channels of PST's property management business include the following:

1. Through PST's sales teams
2. Through auction activities
3. Through media such as magazines, printed materials, PST's website, brochures or leaflets
4. Through real estate brokers
5. Through establishment of portfolios of properties to be offered to investors
6. Through cooperation with financial institutions and banks in setting up booths to promote sales and give information about the properties to prospective buyers of new and second-hand houses



## COMPETITION IN PROPERTY MANAGEMENT BUSINESS

PST's potential in property management business is stronger than those of its competitors as it maintains the properties under its management in good condition. In addition, its services include negotiation with those trespassing on the property foreclosed by the financial institutions, which is the main problem encountered by the financial institutions.

As regards the project management business, PST started this business in 2006. The business is highly competitive with many operators. However, as PST has adopted an effective strategic plan, it is confident that the business will generate a good return.

## INDUSTRY OUTLOOK AND FUTURE COMPETITION OF PROPERTY MANAGEMENT BUSINESS

The growth of the second-hand property market is expected to be higher than the previous year, mainly due to the following factors:

1. The prices of new houses remain high because of the higher construction costs.
2. Increase in the appraised value of properties.

In view of the above situations, the competition is expected to remain intense. Both financial institutions and brokers in the private sector need to improve its marketing strategies and the quality of their services. As well, they should continuously organize sales promotion activities.



## 3. BUILDING AND COMMUNITY MANAGEMENT BUSINESS

Building and community management business are operated by PST. PST's services cover management of office buildings for rent. Scopes of services are as follows:

1. Searching for tenants to rent the available space at market rates.
2. Upkeep and maintenance of buildings, ensuring that the building and its surroundings are in good conditions and good looking.
3. Ensuring that the common properties are efficient, with focus given to maintenance of the building's structural systems which are crucial to all high-rise buildings and to the safety of people and assets.

Apart from managing the office buildings for rent, PST is engaged in managing private villages or communities as part of an effort to promote sales of its property development projects, which is its main business.

The management of the villages or communities is mainly involved with maintenance and administration of the following tasks:

1. To maintain common properties
2. To maintain public utilities
3. To maintain village clubhouses, ensuring that they are in good conditions and good looking
4. To help organize various recreational activities aimed at promoting good Thai culture and good relationship among customers living in the villages and between the customers and PST
5. To set the plan homecare services team for checking, repairing and servicing about the electricity, the water supply, the filled pipe, the air condition or else

## TARGET MARKET OF BUILDING AND COMMUNITY MANAGEMENT BUSINESS

Building and community management business's primary target market is customers from financial institutions such as the bank, the insurance company, the finance company.

The target market of PST's building and community management business consists of the following:

1. Property development projects managed by PST and its subsidiaries, which include office buildings, condominiums and housing estates.
2. New middle to large-scale property development projects and others which need support from professional management teams.

## CHANNELS OF DISTRIBUTION OF BUILDING AND COMMUNITY MANAGEMENT BUSINESS

The building and community management business of PST has established channel of distribution by selling directly and selling through the internet.

## COMPETITION OF BUILDING AND COMMUNITY MANAGEMENT BUSINESS

The competition in the office building management business is not strong as there are only a few well-known operators in this business. Moreover, the current office building management business is relatively limited and the market growth takes a long time.

As regards the community management business, over the past few years the community management business was affected by the real estate business which grew in line with the economic growth. In order to attract their target groups, most property management business operators adopt key marketing strategies including appropriate pricing and offers of supplementary services. However, as there are only few community management business operators which are of quality, the competition in the community management business is not intense. While the competitiveness and potential of PST's office building and community management business are quite strong in the market, it still needs to make a concerted effort to enhance its brand awareness and brand reputation among new customers. This is mainly because PST has just started placing emphasis on this type of business.

## INDUSTRY OUTLOOK AND FUTURE COMPETITION IN THE BUILDING AND COMMUNITY MANAGEMENT BUSINESS

The competition in the office building and community management business is expected to become more intense. In addition to new property development projects which will be managed in the form of juristic persons, more housing estates which were built in the past and were not registered as housing estates are expected to make such registration. This is mainly because each prospective customer who wants to buy a house wants to own a house located in a better environment. As a result, it is necessary to make more use of professional services.

However the competition will not focus on pricing but rather on the quality of management as well as the efficiency and effectiveness in meeting the needs of the customers. It is expected that PST will not be much affected by the competition.

## 4. ASSET APPRAISAL AND ADVISORY SERVICE BUSINESS

The business is operated by Plan Appraisal Company Limited ("PAS"), available in the follows:

1. Appraising the value of residential properties for projects
2. Appraising the value of assets in general, such as house, apartment, and hotel
3. Giving advice on valuation and use of properties, taking into account the legal constraints
4. Conduct feasibility studies of property development projects
5. Giving opinions on the management of foreclosed properties for sale

## TARGET MARKET OF ASSET VALUATION AND ADVISORY SERVICE BUSINESS

1. Financial institutions
2. Property development operators or real estate developers
3. Members of the general public

## DISTRIBUTION CHANNELS OF ASSET VALUATION AND ADVISORY SERVICE BUSINESS

PAS has two main distribution channels for its asset valuation and advisory business as follows:

1. For financial institutions, PAS will offer its services directly to their property valuation department or collateral office
2. For property development operators or real estate developers, PAS will offer its services through websites and through its letter of introduction

## INDUSTRY OUTLOOK AND FUTURE COMPETITION OF ASSET VALUATION AND ADVISORY SERVICE BUSINESS

The growth of the asset valuation and advisory business varies in line with the economic growth. On the part of banks, they are expected to accelerate the expansion of their lending activities in the areas including home loans and loans for small- and medium sized enterprises. This should have a positive impact on the future expansion of the market for the asset valuation and advisory service business. In addition, state agencies have adopted measures aimed at promoting transparency in asset valuation by encouraging the property development business to make use of independent and professional asset appraisers. These developments should lead to a higher growth rate of the country's asset valuation and advisory service business. It augurs well for the business of PAS.

## ACTIONS TAKEN BY THE PROPERTY DEVELOPMENT BUSINESS TO REDUCE THE IMPACT ON THE ENVIRONMENT

Actions to reduce the impact on the environment are mainly concerned with the property development business operated by PST. The company is required to take actions to reduce the impact of all of its projects on the environment. This is in compliance with the requirements imposed by the Environmental Impact Evaluation Bureau (EIEB) under the Office of Natural Resources and Environmental Policy and Planning (ONEP). For each of its property development projects, PST is required to conduct an Environmental Impact Assessment (EIA) before the construction.

As regards the foreclose properties for sale and the management of other property development projects, PST also continuously complies with the standard requirements imposed on those properties.

## RICE BUSINESS

The rice business is operated by Patum Rice Mill and Granary Public Company Limited (“PRG”), the directly-held subsidiary of MBK, as well as a subsidiary of PRG. Their main business includes producing and selling rice both in the local and overseas markets. The details about their rice products and distribution channels are as follows:

### PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (“PRG”) MAIN PRODUCTS

The main products of Patum Rice Mill and Granary Public Company Limited (“PRG”) include 2-kilogram rice, 5-kilogram, 15-kilogram, 48-kilogram and 49-kilogram rice packed in plastic bags under the brand names of “Mahboonkrong Rice”, “Mahboonkrong Plus” and “Jasmine Gold Rice”. Noteworthy is the fact that the packaged rice under the brand name of “Mahboonkrong Rice” accounts for about 55% of PRG’s total revenues. PRG’s packaged rice products include the following:

- Jasmine rice 10% consisted of whole grain jasmine rice 90% and broken jasmine rice 10%, package size 5, 15, 48 and 49 kilograms.
- Homtip Rice is a mixture of 70% of 100% jasmine rice and white 30% of 100% white rice. Package size of Homtip Rice (yellow) 5 kilogram, Homtip Rice (pink) 5 kilogram, Homtip Rice (orange sack) size 15, 48 and 49 kilograms.
- Hompatum Rice 100% is the aromatic rice that developed its species from Jasmine rice. The package size are Hompatum rice (orange) 5 kilogram and Hompatum rice (green) 5 kilogram.
- White rice 100% (blue) 5 kilogram and Ruangkaew rice (blue) 5 kilograms.
- White Rice (soahai) 100% consisted of white rice 100% (blue sack) package size 15, 48 and 49 kilograms.
- White rice 15% (brown) package size 5 kilograms and Ruangtip rice (purple) package size 5 kilograms.
- Jasmine rice 100% Jasmine Gold is extra quality jasmine rice packed in a vacuum bag with the package size of 2 kilograms.
- Homnoppakhun Brown rice is 100% brown jasmine rice that is packed in vacuum bag with the package size of 2 kilograms.
- Mahboonkrong Plus is Thai jasmine rice with nutritive value from vegetables and grains and no additives. Four types of Mahboonkrong Plus are as follows:
  1. Grains rice consist of sunflower seed, black sesame and pumpkin, package size is 450 grams.
  2. Garlic rice with Chinese mushroom consist of garlic, Chinese mushroom and carrot, package size is 450 grams.
  3. Five Color rice consist of corn, carrot, taro and green pea, package size is 450 grams.
  4. GABA rice (Germinated brown rice), Nutra Gabarice is 100% brown jasmine rice which goes through natural process to add more nutritive value which are fiber, vitamin, magnesium and antioxidant such as GABA that gives 30 times more nutrition than normal brown rice, which is healthy to the body and help prevent disease such as cancer, diabetes, Alzheimer, decrease stress and feel relaxed. The package size is 450 grams.
- Jasmine rice 100% (red bag) jasmine rice 100%, new rice is the rice that won plates of award for the production of quality packaged rice for five years in a row and it is the first and only Company in Thailand that has been awarded the special standard certificate by the Department of Internal Trade, the Ministry of Commerce. This can assure that every bag of Mahboonkrong Jasmine Rice will always hold the standards, this come in the package size of 5 and 15 kilograms.
- Jasmine rice 100% (green bag) consisted of 100% old jasmine rice comes in the package size of 5, 15, 45 and 49 kilograms.

- Jasmine rice 5% is a mixture of whole grain jasmine rice 95% and broken jasmine rice 5% comes in the package size of 5 kilograms.

## BY-PRODUCTS

**BROKEN RICE CAME** from rice that were broken due to the improvement of the quality of rice that were mostly use in mixing with export rice to get the quality aimed. Moreover, short broken rice is sold to Animal Feed Manufacturers to produce animal food.



## PRG SUBSIDIARY

### **PRG GRANARY COMPANY LIMITED (“PRG-G”) (PRG HOLDS 99.99% OF ITS PAID-UP CAPITAL)**

PRG-G is operates silo and warehouse for storage of agricultural products, while also offering services to PRG and other company by renting out buildings and all type of properties that are located near PRG such as land, silo, warehouse, measurement checkpoint and the port. PRG-G provide service by giving year to year rental contract and set the service fees according to the amount of maintenance.

### **INNO FOOD THAILAND COMPANY LIMITED (PRG HOLDS 37.50% OF ITS PAID-UP CAPITAL)**

INF manufactures and distributes rice for health. At present the Company manufactures and distributes germinated brown jasmine rice to strengthen health, Nultra GABA Rice, rice bran oil and organic rice Germ in capsule, under “Mahboonkrong Plus” and other types of rice for health such as Riceberry or Four color Rice trademarks.

Moreover, INF is also in the process of producing and distributing other products related to germinated brown jasmine rice such as processed soup and porridge power. The products will be available soon.

### **RATCHASIMA RICE COMPANY LIMITED (“RSR”) (PRG HOLDS 99.99% OF ITS PAID-UP CAPITAL)**

RSR was established on 2<sup>nd</sup> June 1997, approved and promoted by Board of Investment (BOI) to hand over the best quality selection of rice from PRG. The Company is the manufacturer and distributor of milled rice that is packed in 2 kilograms and 5 kilograms bag for local market under “Mah Boonkrong” trademark.

RSR requested for cancelation of Investment incentive and was approved on 24<sup>th</sup> February 2006. The Company had rented out the factory to produce other rice bag for 1 year. At present PRG is the lessee and operates in selecting and developing rice quality to be pack for both domestic and international market.

### **SIMPAC COMPANY LIMITED (“SMP”) (PRG HOLDS 49.99% OF ITS PAID-UP CAPITAL)**

SMP was approved and promoted by Board of Investment (BOI) and on 27<sup>th</sup> August 1997 there is a resolution approving domestic promotion type 6.12 manufacturing plastic product or coated with plastic and on 22<sup>nd</sup> November 2006 SMP was approved by Board of Investment to promote investment in manufacturing prints from plastic film business type 6.14 Prints Manufacturing business. The Company is the manufacturer and the distributor of milled rice bags and husk ash bags for Patum Rice Mill and Granary Public Company Limited.

SMP had worked on packaging business development by investing on purchasing 8 colors Gravure printing machine, bag making machine and grinder and cutter machine to support in manufacturing varieties of packaging for the market which consumer demand.

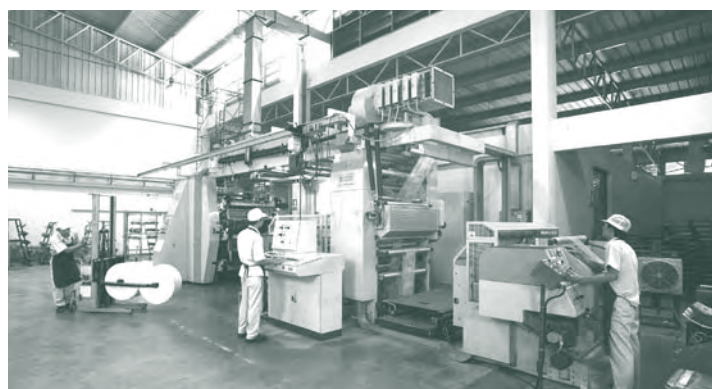


## SIGNIFICANT CHANGES AND DEVELOPMENT OF THE PREVIOUS YEAR.

PRG has changed its operation by stopping the production in many businesses and focuses on the marketing, selling and promoting brand image of the rice products under the brands 'Mahboonkrong' and 'Mahboonkrong Plus' for both domestic and overseas market. During the past 6 months, PRG has improved its sales operation by having clear separated domestic sales channels while the overseas sales will also be divided into separated zones according to different regions in the world.

**DOMESTIC SALES** have 3 separated channels

1. Modern Trade Channel includes all modern retailers such as Tesco Lotus, Macro, Big C, Tops, and Max Value etc.



2. General wholesale and retail channel include wholesale shops and grocery stores across the country.
3. Direct sales channel include hotels, hospitals, restaurants and factories.

PRG also has 2 new distribution centers in Suratthani and Songkhla to cover more distribution area.

**OVERSEAS SALES** has 4 sale zones.

1. Europe and America
2. Asia and Middle Eastern Countries
3. Africa
4. Australia, New Zealand and Pacific Islands

As PRG has a plan to develop their properties in Pathum Thani area to increase their value, the silo concrete buildings, steel silo, ash pit and buildings were sold and removed to prepare the properties for future usage. During the removal, to bring in additional revenues, PRG also rented out its warehouse, port, truck scale and parts of the office buildings that were not being used.

PRG still keeps improving its operation to support the sustainable growth of the business and increase the values of all its businesses for the benefits of society and every stakeholder.

## CUSTOMER CHARACTER AND TARGET GROUP OF RICE BUSINESS

Most of PRG customers are in good relationship with the Company for a long time and customers that distribute rice both domestic and international have trust in the Company's rice products. It is more facile to sell Company products than selling products from other company to consumers. When there are changes in consumer preference to the products such as changes in type of rice or packaging looks, the customer will inform PRG of those information so that it can meet consumer's need.

In the past three years, sells had been made to several major customers. The first 10 customer were calculate as 35% of the total revenue and none have the revenue that goes above 30% of the revenue for 3 years.

## MARKETING SITUATIONS AND COMPETITIVE OF RICE BUSINESS

In 2011, after the Pheu Thai Party's government launched the Pawn Rice Project in October with the objective to raise the rice's price. It appeared that the price in the world market did not turn out the way the government had expected. As India returned to the rice export business once again, Thailand and Vietnam were severely affected because the price of rice exported from India was significantly cheaper than the pawn rice's price set by Thai government. As a result Vietnam has adjusted its export price to compete with India. At the same time Thai government still sticks to its original policy, causing the export rate to drop by 50% since November until now, without

any sign of improvement. This is because the government does not have a concrete marketing plan to promote the rice export business. On the contrary, the government has only tried to convince the market that Thailand is the World's no.1 rice exporter and able to set the price. However, if the rice is not exported, the price will go up because of the demand from foreign countries. Thailand does not have to sell the rice at the same time with the rival countries. Thailand should wait until those countries do not have any more rice to export and then sell the rice at the price as high as Thailand wants. Nonetheless, the role of Thailand in the world market has been less significant since Thailand export fewer amounts of rice. At the same time other countries are now able to grow rice all year round, causing the chance that Thailand will be able to sell its rice at a high price much smaller. Another factor that could affect the price of rice is the unclear rice distribution model and method from the government.

## COMPETITIVE POTENTIAL OF RICE BUSINESS

PRG's has process of manufacturing and developing rice packed in bag that hold the standard quality. And modern technology developing rice quality to packing in to different size of bags. The Company also has its own subsidiary that deals with packaging. As a result, PRG's manufacturing cost/revenue ratio was relatively in the good competitive level in business. This represents PRG's advantage over its competitors.

However, in 2010, the prices of paddy rice were volatile. As well, the prices of paddy rice and the prices of white rice raw materials in the market moved in opposite directions. As a result, PRG's production costs in terms of the white rice raw materials were not much lower than the production costs of its competitors as before.

Nevertheless, the popularity of PRG's packaged rice under the brand name of "Mahboonkrong Rice" among consumers increased. This is mainly due to the fact that the quality of PRG's packaged rice is consistent and the rice is cleaner than the competitors' packaged rice or rice which is contained in gunny bags. Moreover, consumers can always be confident that the kind and the type of rice products contained in the package are the same as indicated on the package. Consumers also trust PRG since it is the first producer of packaged rice and the pioneer in introducing it to the market since 1984. As a result, Mahboonkrong Rice has now become a household name. Furthermore, PRG is the sole operator who has been awarded a special standard certificate for its packaged fragrant rice by the Department of Internal Trade, the Ministry of Commerce. It also won Trusted Brand Award 2010 by Reader's Digest Magazine, based on a survey of consumers nationwide.

PRG places strong emphasis on quality and cleanliness in every stage of manufacturing process. At present, PRG has also been awarded an ISO 9001:2008 certificate. As for the rice-packaging factory, a certificate has been given to it in regards to food quality and safety, known as the HACCP. Moreover, it has been awarded a certificate on management and food production control, known as the GMP. Importantly, it is the first rice-packaging factory in Thailand that has been awarded the GMP in the category of rice packaging factor. As a result, PRG has won plates of award for the production of quality packaged rice for seven years in a row from the Department of Internal Trade, the Ministry of Commerce, since 2004. In addition, this year the Company had been awarded with British Retail Consortium Grade A certificate.

The fact that consumers trust the brands of PRG helps increased its potential in being a leading distributor and capturing a significant share of the domestic market. As well, the trust earned by PRG continues to help it maintain the strong sales performance of Mahboonkrong Rice.

## INDUSTRIAL TREND OF RICE PACKED IN PLASTIC BAG MARKET

The market for packaged rice in 2012 tends to be more competitive because of the continuous drop in the export sector. More exporters are interested in the domestic market. At the same time the mills, who are the producers for the exporters, have fewer jobs. So they have shifted their focus on producing rice to sell domestically. Meanwhile the price of rice in the country has a tendency to go up as a result of the pawn rice policy from the government in spite of the fact that the price in the world market has dropped. This is because Thai market cannot choose to buy rice from other sources like foreign countries.

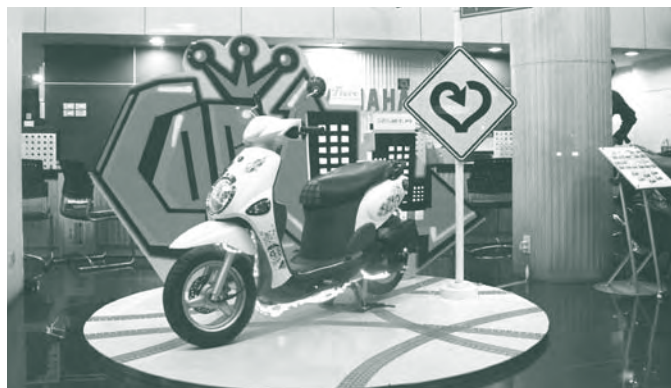


The overall expansion in the rice consumption is also decreasing. This is the cause of more promotional campaigns. As a result local consumers have more options to buy either the old brand or new brand of packaged rice. There are also more competitions in the modern retail channel.

## **ACTIONS TAKEN TO REDUCE THE IMPACT ON THE ENVIRONMENT**

PRG is aware of how important it is to improve its measures on security, biological sanitation, and environment. However, PRG's management on pollutions that could affect the environment and communities in Pathum Thani area has been stopped because PRG has ceased its production in this area. However, PRG still wants to focus on the communities and environment and participates in the Corporate Social Responsibility or CSR project organized by the Office of Bangkadee Municipal District, with the objective to promote the CSR principle among factories. PRG has incorporated the CSR principle into the main PRG's activities conducted in the whole Pathum Thani area and Sikhio district in Nakhon Ratchasima province. The activities include granting scholarships for kids, activities on children's day, visits to nursery homes for young children and elders, activities to promote Thai tradition and culture, money and rice donations for public benefits and activities to promote environmental awareness.

To ensure that PRG has abided by all the relevant laws, it has created a database that compiles all the laws and stipulations related to customers so that PRG can always improve and develop its operation to be modern and up to the safety standard, while also taking into consideration the biological sanitation and environment safety



## **FINANCIAL BUSINESS**

The financial business is operated by MBK's subsidiaries including MBK Guarantee Company Limited ("MBK-G") and T Leasing Company Limited ("TLS").

### **CUSTOMER GROUPS OF FINANCIAL BUSINESS**

MBK's financial services providers focus on catering to the needs of customers in specific markets as follows:

- 1) General loan which is operated by MBK Guarantee Company Limited ("MGK-G") whose principal products include housing loans which are in good location and marketable property.
- 2) The motorcycle hire purchase is operated by T Leasing Company Limited ("TLS"). Its main business is to give new motorcycle hire purchase as well as after-sales services including, registration renewal as well as insurance to protect assets and prevent risk that may arise from using the assets bought under hire purchase agreements. Its customers include low to middle income individuals who live in service areas and use motorcycles to do business or as the mainly transportation.

### **MARKETING SITUATION OF FINANCIAL BUSINESS**

In the financial system, there is not only competition among commercial banks but also competition among non-banks. The competition has become more intense in line with the increase in the demand for loans. The company has made efforts to find ways to differentiate its services, aiming at catering to the needs that are not covered by commercial banks. In this connection, it is the company's policy to give loans in a careful and cautious manner. Apart from taking into account potential collateral, the company sets prices that not only generate a good return but are also competitive and flexible in the market. The objective is to cater to customer needs. As the competition in the motorcycle hire purchase remains intense, the company needs to develop its products and services continuously. As well, it has expanded its branch networks and motorcycle dealerships to increase coverage areas of customer services.

## INDUSTRY TRENDS AND FUTURE OUTLOOK OF COMPETITION IN FINANCIAL BUSINESS

In accordance with the country's economy, motorcycle hire purchase business tended to grow. In 2011, motorcycle sales were up by 8% from 2010, with the total of 2.1 million motorcycles sold. It was estimated that in 2012 the number of motorcycles registered nationwide would increase from the year 2011 which was affected by the flood. Moreover, the government also has several policies to increase the cost of living of people such as the policy to increase the minimum wage, or the policy to increase the starting salary for bachelor's degree holders. These policies are important factors that will increase the purchasing power of people.



In the future the competition in the motorcycle hire purchase business will be quite high. Seven or eight of major creditors have more than 80% of the market share. The creditors will compete in the fast credit approval, convenience and branch expansion to increase accessibility to their services.

TLS's strength is the short credit approval time. In the future TLS aims to increase the credit. The strategy is to offer credit to employees in government agencies and to expand its branches in Bangkok and metropolitan area as well as major provinces in each region.

As Bank of Thailand has a regulation that prevents commercial banks from giving credits to every applicant, creditors who are not commercial banks have an opportunity to venture into the market. Therefore, this business has a tendency to grow with the country's economy.

Overall, this business is not aggressively competitive and has a tendency to grow from the said limitation. So MBK-G sets a goal to increase the credits by expanding to foreign clients who want to own assets in Thailand such as condominium through the channels of real estate operator, agents and real estate agents. As for short credit, there is a strategy to expand the client base through financial institutions as these institutions have a limitation in providing credits to every client.

## OTHER BUSINESSES

MBK's affiliate, Apple Auto Auction (Thailand) Company Limited ("AAA"), operates MBK's used car and motorcycle auction business while X-Gen Premium Company Limited ("X-GEN") operates the motorcycle dealership and maintenance business.

### USED-CAR AUCTION BUSINESS

Used-Car Auction Business is operated by Apple Auto Auction (Thailand) Company Limited ("AAA") the business that runs the used-car and used-motorcycle auction from different parties such as financial institutions, car rental companies, second hand car dealers and car users. The Company has earned its revenue from the commission from the participants that place their cars into auction and buyer commission from buyer at the rate which is specify in the contract. From the previous year more than 12,000 cars were placed into auction.

In addition, apart from car auction, AAA had placed the motorcycle auction into the auction business. The bidding begin from July 2010, more than 300 motorcycles were placed into auction, both in Bangkok and other



provinces. At present AAA has developed the most modern online auction program in the country. The program streams sound and vision from the auction place to allow users a direct experience. The Inventory and product management system was also developed so that sellers can manage the product data faster, more accurately, with time and cost saving, through the AAA's system.

AAA had set a goal to be front tier number in auction company of Thailand within 5 years and had goes according to the strategies that the Company had set. At which there will be organization development in different area to accomplish the goal setting.

## **NATURE OF SERVICES AND COMPETITION**

AAA is a service of car and motorcycle auction which the company obtains the car or motorcycle from the sellers to test their vehicles. Then compile the profile of the vehicle and store into the parking garage. When received order from the auctioneer the vehicle will be place into auction and the auctioneer may announce prices to start the auction. When the bidder won the bid the auctioneer will collects money and deliver to the seller, set timeline and act as the coordinator in delivering and alienating the vehicle; by which the Company earn its revenue from the buyer and seller commission which is specify in the contract.

The competition in the car auction business is quite fierce due to the fact that there's only 2-3 main dealer that give hire purchase leasing finance and placed quite a number of cars into auction. At the present moment number of cars that were placed into auction decreased down each month while there are still quite a number of auction company in Thailand and there are only 2-3 auction company that are well known and gain trust from the buyer. Due to this fact the competitor tried to use all the marketing tactics to get the marketing shares.

## **MOTORCYCLE DEALER BUSINESS**

X-Gen has earned its revenue from selling Yamaha motorcycle, spare its parts and Yamaha maintenance center. Moreover, the Company also earned its extra revenue from organizing the hire purchase budget with the financial institute and provided motorcycle insurance.

## **NATURE OF SERVICES AND COMPETITION**

The competition in the motorcycle dealer market is quite high in every province due to the fact that there are many dealers and there are different type and marketing strategies to attract consumers. This gives consumers and alternative choice in purchasing the product. The Company is the motorcycle dealer, spare its parts and Yamaha maintenance center which have the rights to sell from Yamaha in Thailand. There are two branches which are located Sumrong branch and Bangkae branch.

## **SUPPORTING BUSINESSES**

Apart from 7 main businesses, the Group also has supporting businesses. The training business, covering designing training, seminar and human resource development programs, is operated by MBK Training Center Company Limited ("MBK-TC"). The insurance broker business is operated by MBK Life Assurance Broker Company Limited ("MBK-LB"). The non-life insurance broker business is operated by MBK Insurance Broker Company Limited ("MBK-IB")

However, as these supporting businesses just started during the end of last year, there has not been any significant business transaction yet.

## POLICY ON THE SEGREGATION OF MBK GROUP'S BUSINESSES

MBK divides its businesses into 8 groups as follows:

1. **SHOPPING CENTER BUSINESS** is operated by MBK and its subsidiaries such as The Nine Center Company Limited ("TNC") and Paradise Park Company Limited ("PDP").
2. **HOTEL AND TOURISM BUSINESS** are operated by MBK and its subsidiaries, with details as follows:
  - **HOTEL BUSINESS** is operated by MBK Hotel and Resort Company Limited ("MBK-HR"), MBK Business Company Limited ("MBK-BUS"), Supsinthanee Company Limited ("SSTN") and Lanta Land Development Company Limited ("LLD")



- **TOURISM BUSINESS** is operated by Absolute Travel Company Limited ("ALT") and MBK Leisure Company Limited ("MBK-LS").
3. **GOLF BUSINESS** is operated by MBK's subsidiaries including MBK Resort Public Company Limited ("MBK-R") and Riverdale Golf and Country Club Company Limited ("RDGCC").
  4. **REAL ESTATE BUSINESS** is operated by MBK's subsidiaries including Plan Estate Company Limited ("PST") and Crystal Lake Properties Company Limited ("CLP").
  5. **RICE BUSINESS** is operated by MBK's subsidiaries including Patum Rice Mill and Granary Public Company Limited ("PRG") and PRG's subsidiaries.
  6. **FINANCIAL SERVICES BUSINESS** is operated by MBK's subsidiaries including MBK Guarantee Company Limited ("MBK-G") and T Leasing Company Limited ("TLS").
  7. **OTHER BUSINESSES** are operated by MBK's subsidiary namely Apple Auto Auction (Thailand) Company Limited ("AAA") and X-Gen Premium Company Limited ("X-GEN").
  8. **SUPPORTING BUSINESSES** is operated by MBK's subsidiaries including: MBK Training Center Company Limited ("MBK-TC"), MBK Life Assurance Broker Company Limited ("MBK-LB") and MBK Insurance Broker Company Limited ("MBK-IB").

It has been MBK's policy to allow each of the eight business groups to be operated and managed by each of the above-mentioned subsidiaries with clearly separated policies and responsibilities.

## REVENUE STRUCTURE BY FINANCIAL STATEMENT OF MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

(Unit : Thousand Baht)

PRODUCT/SERVICE	TYPE OF BUSINESS	OPERATED BY	FOR THE YEARS ENDED 30 JUNE				FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	
			2009/2010		2010/2011		2011*	
			REVENUES	%	REVENUES	%	REVENUES	%
1. Revenue from service and rental	- Shopping plaza and property for lease	MBK Public Company Limited and Paradise Park Company Limited	2,529,007	29.50	3,311,389	39.65	1,816,694	39.65
	- Golf	The Nine Center Company Limited Glas Haus Ratchada Company Limited MBK Resort Public Company Limited Rivendale Golf and Country Club Company Limited						
2. Sales	- Rice mill production and distribution	Patum Rice Mill and Granary Public Company Limited	2,436,745	28.42	3,150,364	37.72	1,446,831	37.72
	- Power generation and distribution	PRG Granary Company Limited						
	- Property development	Plan Estate Company Limited and Crystal Lake Properties Company Limited						
	- Food center	MBK Entertainment Company Limited						
3. Revenue from hotel operations	- Hotel	MBK Public Company Limited MBK Hotels and Resorts Company Limited and Supsinthanee Company Limited Lanta Land Development Company Limited	770,244	8.98	873,739	10.46	489,495	10.46
4. Revenue from hire purchase	- Motorcycle hire purchase	T Leasing Company Limited	39,101	0.46	242,603	2.91	138,877	2.91
5. Other revenues	- Finance business and other	MBK Guarantee Company Limited	2,797,892	32.64	772,913	9.26	400,245	9.26
Total revenues			8,572,989	100.00	8,351,008	100.00	4,292,142	100.00

**Note :** \* The Group has changed the accounting period starting from 1 July to 30 June of next year to the period starting from 1 January to 31 December of every year according to a resolution of the Ordinary General Shareholders' Meeting on 31 October 2011, starting from the period ended 31 December 2011 onward.

# RISK FACTORS

## RISK FACTORS OF SHOPPING CENTER

### MBK CENTER

#### ■ RISK ARISING FROM ECONOMIC SITUATIONS

The overall retail business in 2011 increased by 6.7% from the year 2010 as the economy grew from positive factors such as the pay increase of government officers and the higher price of agricultural products, resulting in greater purchasing power and higher spending rate. There were also negative factors affecting the economy. European debt crisis and recession of the world economy caused a contraction in producing and exporting industrial products. The most severe flood crisis in 50 years in Thailand during the late 2011 also affected retail business and modern trade of major operators that include Shopping Centers, discount stores and convenient stores. Approximately 10% of all retail businesses were affected. Though it was not a big proportion but the effect was obvious. As to the tourism industry, many countries issued a warning against traveling to Thailand. As a result, tourists suspended the trip. Therefore, the country's recovery after the flood crisis and the revival of production sector and domestic spending will factor in the gradual recovery of Thai economy in the beginning of 2012.

The instability of the public debt crisis of some countries in Europe in the one year time onward may be an important factor that could affect Thai economy. Amid the risky states of the economies in many regions, especially in the core economies like American or European economies, the economic situation in 2012 in Asian region and Thailand may grow in a lower rate. Thai business operators must learn from the experience of the past crisis in order to lay out plans and strategies against the risks in 2012 that may come from the fluctuation of money market, the decrease of interest rate and the sensitivity of business partners. The preparation will sustain the business through an economic fluctuation that may happen in 2012.

#### ■ RISK ARISING FROM MORE INTENSE COMPETITION

The retail businesses such as discount stores, department stores, convenient and supermarket stores were aggressively competitive. The most competitive, with the most influence on the retail business, is discount store. 90% of consumers go to a discount store at least once a month. The most frequently visited in average 2-3 times a week is convenient store, especially Seven Eleven because of its convenience and high number of branches that locate close to community areas. In 2012 there will be higher investment in expanding branches of retail businesses, especially in big cities, tourist areas and urban communities, in the form of minimart or mini supermarket. As people's lifestyle has changed and people like to shop closer to home, while at the same time, the real estate business has grown continuously, there will be demands among real estate businesses to build their own community malls. Even though a community mall may be small, it reflects the daily life of people whose lifestyle is more and more unique. As a result, the overall space of community malls is close to hypermarkets'. Moreover, in 2013 there will be an expansion in public transportation and the growth in the limited suburban residential areas. These will create a demand for certain types of shopping complexes that meet the needs of local communities. These retail spaces show that shopping areas in Bangkok are still growing all the time.

However, in 2011 the retail business sector could still maintain its stability. On top of that the total space occupation was slightly higher. The rental rate was higher by 0.3% from the same quarter of the year 2010 while the space occupation rate increased by 0.2% in the same period. It was expected that in 2012 there would be a demand of 5.70 million square meters. The expectation was based on present projects and major events in the next few years



such as the renovation of existing Shopping Centers. The design of Shopping Centers nowadays is different from many decades ago. Modern Shopping Centers are designed to attract customers to go to upper floors by making those floors visible. The old design would have a ceiling concealing the view to the floor above. Therefore, old Shopping Centers must be renovated to retain customers. Whenever there is a new Shopping Center opening near a much older Shopping Center, the attraction level will be much different. As a result, the developers will have no option but to renovate the building to maintain its ability to compete.

## **PARADISE PARK**

The major flood crisis in 2011 was an external factor that posed a risk to almost every type of businesses. The flood affected Bangkok directly, causing people to evacuate from their houses to other provinces unaffected by the flood. Spending on luxury goods had obviously ceased. Bestselling items were necessity goods and products that could prevent the flood.

Paradise Park is located on Srinagarindra Road, Pravate District, which was not affected by the flood. The crisis became an opportunity to attract new customers as many shopping center had to shut down during the flood. There were also customers that moved temporarily to the Paradise Park. However, only the necessity goods and flood products were the only bestselling items in the mall.

There was also a physical risk from the renovation of Srinagarindra Road for a period of 4 years (from 2009-2012). There are 2 renovation projects: the construction of Sri Udom tunnel (2009 - 2012) and the renovation of Srinagarindra Road including the expansion from 6 to 8 lanes, the 70 centimeter elevation and the installation of new drain pipes (2010-2012). These are inevitable factors that will affect the mall. The tunnel was ready in the end of December 2011, which could have a positive effect on Paradise Park. Once the expansion is complete, the more convenient access should open up to more business opportunities for the mall.

## **THE NINE NEIGHBORHOOD CENTER**

Thai economy was heavily affected by the flood crisis, causing great damages to the business sector. Early 2012 is the time of recovery. The industrial business was expected to grow significantly. However, as for other businesses there could be other variable factors that include the government policy, the consuming trend of people and their spending. Another important variable is the investment of private sector. One concerning factor that could affect the economy in 2012 is the export. Following the world economy, the export businesses of Asian countries have slowed down. At the same time, in the coming year American and European economies will continue to drop.

One critical factor that has an effect on the slow production is that people in the country are more careful in their spending, as the result from the flood. Some money will be spent in renovating their houses. The spending on other products such as clothes or luxury goods will slow down. Some operators may reinvest immediately while others may slow their investment plans until there is a government policy on flood prevention, which would give them a right direction for investment. These are challenges for Thai businessmen to be prepared for in the near future. Thai economy must change from the economy with production to services such as retailing, logistics or healthcare.

In spite of the economic crisis and flood situation, in the end of 2011 there were 3 new Shopping Centers open in the nearby area: Terminal 21 (Sukhumvit 21), IKEA (Bang Na) and, the latest Central Rama 9. The 3 new malls have a backup from skilled investors in Shopping Center businesses with experts in real estate as co-investors as well as foreign capital groups. They also have different strong points that offer more alternatives to customers. Each mall also clearly classifies their target customers.

The above factors, including the economic recession from the flood or the market sharing from other nearby malls, could affect the competitive ability of The Nine Neighborhood Center. However, the Nine Neighborhood Center is a community mall, located on the company's own property. It aims to serve customers in a radius of 10 kilometers from Seri Village and nearby, customers from Home Office and 3 leading universities. The mall has a good location and the advantage of being the first one-stop shopping community mall in Suan Luang District which is the passageway to Eastern region. It is also located on Rama 9 Road (originally Premiere Rama 9) which leads to the airport and covers

the area of 14 rai. It can meet the demands of A and B class families. There will be 9 buildings in the complex that will provide both retailing space and office space. The complex is open since July 15, 2011.

### **GLAS HAUS BUILDING COMPANY LIMITED**

In 2011 there were more constructions of new and modern office buildings, allowing more competitors in the market. As a result, Bangkok there is a total of approximately 8 million square meters of office space. The competitiveness affected the rental rate while the unstable economic and political situations did not support the adjustment of rental fee. Glas Haus Building has the office space of 13,500 square meters for rent. In the first and second quarter, averagely 98% of the space was occupied with 2% of available space. The major tenant is Thanachart Group that rents up to 7,000 square meters or almost 50% of the overall space. In the end of 2011, Thanachart Group moved the office to a new office and its own vacancy property. That caused the termination of the contract and 30% of available space. Glas Haus Building Company Limited brought in less income from the rental fee and could not reach its goal. As there was more space available, the Company could not find new tenants in time, there has to be a strategic marketing plan to find new tenants as soon as possible.

### **GLAS HAUS RATCHADA COMPANY LIMITED**

There was no risk in the rental business of the space within Glas Haus Ratchada Building as 99% of its space is under the contract with Thanachart Bank. This contract is only short-termed and will end in 2013 but there is a legal binding under the contract for 3 more years. Therefore, the contract will terminate in 2016.

Though all 100% of the space in Glas Haus Ratchada Building was occupied in 2011, the effect on the economy from the flood also affected people coming to use services from the tenants in the building, which is a big source of income of Glas Haus Ratchada Building. This could be clearly seen from the parking rate during the flood in the parking building employed by both tenants' employees and their customers. Moreover, during the flood crisis, Thanachart Bank also allowed employees to go home early, causing a sharp drop in the facility usage.

In 2012, Glas Haus Ratchada Building forecast that since the rented space will be occupied until 2013, and will continue to 2016, there will not be many changes in the rental space in the building. However, Ratchada Road has a high growth rate from the openings of major Shopping Centers on the road, leading to higher business growth rate in the future.

## **RISK FACTORS OF HOTEL AND TOURISM BUSINESS**

Risks affecting the hotel and tourism business primarily arise from external factors such as the announcement of the Emergency Decree on Public Administration in Emergency Situation, the South unrest, flood crisis in many areas, especially in Bangkok, overseas or domestic economic problems as well as the appreciation of the Thai currency. Meanwhile, there is an increase in the number of new hotels while the number of tourists does not grow. All these pose risks to the operation of the Group's hotel business. As such factors are beyond the control of the Group, it is necessary for the Group to regularly formulate strategic and marketing plans that are suitable for each situation.

## **RISK FACTORS OF GOLF BUSINESS**

Most of the risks affecting the operation of the golf business stem from external factors which are unavoidable. These risks include:

### **■ RISK ARISING FROM SEASONAL EFFECTS**

The Loch Palm Golf Course and the Red Mountain Golf Course are located in Krathu District, Phuket Province. As a result, their business is affected by the rainy season (approximately from May to October). The period is considered a low season for the golf business as few visitors use the service. As a result, the income generated during the period is lower than that in summer. However, to mitigate the impact during the rainy season, MBK-R has put in place a number of measures as follows:

- A special green fee rate is jointly offered as part of the package organized by the hotels in Phuket with the cooperation of the Tourism Authority of Thailand, the Thai Hotel Association and Phuket Tourist Association. The purpose is to attract more tourists and golf players from Asia and Australia to visit Phuket during the low season and use the golf course of the Group more.
- Special discount campaigns are organized for agents in the form of discount coupons to promote sales.
- Organization of golf competitions or tournaments for golfers during low seasons to promote more use of the golf course services.

Regarding the Riverdale Golf and Country Club which is located in Pathum Thani Province, the golf course is also affected by the rainy season. As a result, the following measures have been adopted to attract golf players:

- Offer more alternatives to golf players in employing the services from the course by allowing golf players to choose whether to use the golf cart during the rainy season.
- Organization of golf competitions or tournaments for golfers during low seasons to promote more use of the golf course services.
- A promotion campaign in which players who come in a group of four pay only for three.

#### ■ **RISK ARISING FROM POLITICAL SITUATIONS**

After the general election in 2011, the political situation is more stable, which benefits the tourism business of Thailand in terms of the more confidence in the safety measure among foreign tourists that will come back to Thailand.

#### ■ **RISK FROM NATURAL DISASTERS**

In 2011 many countries in the world suffered from natural disasters including Thailand with the flood crisis, especially in its central area. Many businesses were affected as well as the golf business that has golf courses in Pathum Thani province of the central region. The flood forced RDGC course to shut down for 2 months. Though the Group could prevent the flood, there is still a risk in the future as long as there is no prevention and management on the water level in the rainy season from the government. RDGC course has prepared for the possible flood by renovating the drainage system in the golf course and building additional dikes to prevent water from flooding the course.

LPGC and RMGC courses are located in central Phuket at 25 meters above the mean sea level. Therefore, there is a small risk from the flood. They are also far from the beach area, minimizing the risk from tsunami as well.

## **RISK FACTORS OF REAL ESTATE BUSINESS**

#### ■ **RISK FROM FLOOD CRISIS IN THE COUNTRY**

The flood crisis in the late 2011 caused massive damage to both household sector and industrial sector. 40% of the residential areas in the suburb were affected, which was accounted for 4.5 million households.

Operators of real estate business slowed down on many original plans to launch new housing projects in order to maintain liquidity and to respond to the market condition in which the demand for houses had dropped. The housing projects on flat ground were most affected. It was estimated that consumers would take more time to make a decision because the location would be taken into consideration as one of the main factors.

However, Plan Estate Company Limited (“PST”) has prepared a direction for the future development of housing projects after the flood crisis. In order to reduce the effect from such situation, it is important to select the property in the inner city of Bangkok, such as Ratchadapisek Road or Rama 9 Road, which is the only area unaffected by the flood. The Company then began the development project in tall buildings or condominium buildings to answer to the demands of consumers who are looking for a second home in a flood free area.

## ■ **RISK FROM THE FORMING OF A NEW GOVERNMENT AND THE GOVERNMENT'S POLICIES**

There were fewer new real estate development projects launched in the first half of 2011 compared to same period of 2010. The main reason was probably that there was a policy to stimulate the real estate sector in 2010. Also, some operators may want to wait for the political situation and the overall economic factors to be more settled. When the general election was finished and a new government was formed, operators began to see more clarity in the whole situation.

The new government also has the 'first house' policy to encourage people to have their own houses and attract people into the tax system. However, as this new policy has not been clear and can be changed, the real estate market on the whole tends to slow down.

In spite of many risk factors in this year, the real estate business has a tendency to grow because there are still continuous demands for houses in Bangkok and the suburban areas. Moreover, it was found that consumers pay more attention to the credibility of operators and will consider projects that can meet their demands and are most worthwhile.

PST has done marketing researches, planning and feasibility study for its various development projects before investing. The Company focused on building quality houses with competitive prices by using the help from many innovations in the design, constructing materials and construction process. The Company also offers various forms of residences such as detached houses, townhouses and condominium with designs and utility space that meet the demands of consumers. Moreover, the Company's projects are located in various potential areas in order to increase the customer base in the future.

## ■ **RISK ARISING FROM THE VOLATILITY OF CONSTRUCTION MATERIAL PRICES AND DEVELOPING COSTS**

Construction materials are considered an important cost in developing a housing project. Prices of construction materials will vary from different factors such as demand and supply certain materials. The past flood crisis caused the prices of construction materials to go up because there was a high demand to use materials to renovate buildings and houses that were affected by the country's great flood. As a result, the construction cost of PST projects has increased and affects PST's profitability because the Company cannot always adjust the selling price in accordance with the increasing cost.

However, PST has a solution to manage this risk by finding materials from trusted sources and ordering in a large order, under a long term contract and a fixed price. The supplier will deliver materials periodically, allowing PST to be able to control its cost on top of the construction strategy known as Semi-prebuilt.

In so doing, it has the construction plans in advance and is able to negotiate the materials prices and to control the cost of the construction materials to a certain degree. Furthermore, PTS has set up a team to monitor the prices of construction materials, labor wages, and oil prices. Such monitoring enables the Company to determine the construction costs appropriate to the situations and the products' prices that can compete in the market. These result in an effective capital management and help reduce risks that arise from the volatile costs of construction.

## ■ **RISK ARISING FROM SHORTAGE OF CONSTRUCTORS AND SKILLED CONSTRUCTION LABOR.**

Once the flood crisis was solved, people started to fix their damaged houses while the government needed to renovate roads, bridges and many buildings as a part of the recovery process. The situation caused a labor and construction material shortage and a delay in the current construction, leading to real estate business operators to slow down on the next projects.

PST had created strategies to decrease the effect from the said risk by proceeding with the following:

- Develop new construction technology or use alternative readymade materials to prevent a labor shortage.
- Adjust the contract fee to be more appropriate to the market rate and classify contractors by quality in order to be able to offer specially adjusted fee to skillful constructors.



- Have a clear and up to standard work procedure in hiring the constructor to be confidence that the constructor works meet the standard quality.
- Improve the regulations in recruiting registered and more modern constructors as well as grade the company quality. The Company also compiled name list and constructors' record that had been examine and meet the standard qualification as well as follow-up and evaluate constructors' quality continuously.
- Appoint several constructors to construct in a house project to be able to change and in time with the situation that will occur.
- The company set up a working group to track the prices of construction materials and seek alternative materials in order to be able fix an up-to-date construction price.
- Organized PST's personnel training to give knowledge and skills to employees, constructors and labors, which will allow them to understand and work in the same direction. This will increase skills to every side and decrease risk of not getting work that meet the standard quality as well as specify the competency of the personnel to be able to search and develop the personnel to meet the quality set by the organization.

#### ■ **RISK ARISING FROM COMPETITION**

Nowadays, business environment changed rapidly which effect in the wide area as a result of the openness of News and information. This can be seen from the rapid change of customer behaviors and demand. If not careful, lack of closely follow-up and evaluate the situations, may effects the business to become lack of ability to establish Durable Competitive Advantage and not able to continuously and stability maintain this advantage.

Therefore PST had established strategies to manage risk in business environment, which are as follows:

- Quality control process up to the product delivery to clients and a customer service that emphasizes on customers' satisfaction, giving PST more advantages in the competition in credibility, product quality and serve.
- New target group, increase products and new channel of distribution that will allow PST to reach its new target group.
- To consider in expanding investment into other potentiality areas by placing importance to the environment and the community around the developing project to create economic value added to the society.
- To conduct connection with the community around and to see to give precedence to corporate social responsibility to create confidence and build good relationship between the Company and the community around.

## **RISK FACTORS OF RICE BUSINESS**

#### ■ **RISK ARISING FROM PRICE OF RAW MATERIALS**

The risk incurred by fluctuating prices of paddy rice. Since rice is an agricultural product, its prices are determined by the export demand and vary from seasonal effect as well as the purchasing intervention of the private sector. Moreover, this following year paddy rice pledge programs will be put back into practice with a higher pledge price than the present market price, including rapid change of domestic and global market supply and demand. PRG is aware of the risks and had proceeded with decreasing rice price as follow:

- PRG had build more warehouse in Nkhon Ratchasima which in creases the capacity in storing Company's raw rice with the total of 25,000 tons at Pathum Thani and Nakhon Ratchasima province and allow the company to store rice at certain season when the rice price is low.
- PRG proceeded with purchasing raw material policy in accordance with the contract that was mad in advance after the order. This help decreases rice in raw material price fluctuation.

- Proceed with storing raw material sufficiently policy at which the Company have enough storage space and to balance the cost price.
- PRG had invested some in Agriculture market price in advance to decrease the risk from price fluctuation.

#### ■ **RISK ARISING FROM PRICE FLUCTUATION**

The risk incurred by the change in the behavior of some Thai consumers who changed into consuming rice bagged in plastic than rice packed in jute bag, because rice bagged in plastic are more convenience and more sanitary than bagged in jute bag. Nevertheless, the disadvantage of rice bagged in plastic is clearly printed price on the bag. Even though the prices is not subject to control by the government but suppliers are required to send notification on the price change to the Department of internal Trade in advance, therefore if there is a rapid decrease in the price of rice bagged in jute bag consumers will start consuming rice bagged in jute bag and the turnover of rice bagged in plastic bag will drop.

Nevertheless, in attempt to mitigate the risk in price and quantity, PRG had developed various sales promotion and marketing plan to continuously be in comply with the market situation such as giving discounts to retail stores, having its warehouses built around the city for the purpose of facilitating transportation of transporting of PRG's products to its customers, as well as launched advertising and public relations campaigns aimed at enhancing the positive image of "Mah Boonkrong Rice" Moreover, PRG had produced and distribute "Mah Boonkrong Rice" packed in jute bag, this allow PRG to meet consumer need in the rice market.

#### ■ **RISK ARISING FROM RICE EXPORT**

It has been PRG's policy to sell more rice overseas by entering into contracts with definite term. Therefore, to mitigate the risk of not getting paid for the products or from fluctuating prices of rice, PRG requires a letter of credit or have bank transactions issued by leading banks and the Company will only agree on the prices after it has adequate raw materials. PRG has also entered into the forward exchange contract to minimize price risk from fluctuation of Thai Baht.

#### ■ **RISK IN VALUE OF THB CURRENCY**

At present, PRG is not facing any risk in respect of the value of THB currency. This is because the Company has no loan or any liability denominated in a currency other than the THB currency. By any chance if PRG is required to import goods and to make payment in any other currency, it will arrange to maintain necessary protection against a fluctuation in the THB currency by buying a forward contract for coverage of the exchange rate of the currency.

#### ■ **RISK OF DEPENDENCY ON CUSTOMERS OR DISTRIBUTORS**

PRG has no customer or distributor on whom the Company needs to depend in excess of 30 percent of the total revenues or total purchase value.

#### ■ **RISK FROM FLOOD CRISIS**

The flood crisis in the late 2011 directly affected the factory in Pathum Thani. However, PRG could prevent the flood to damage its buildings, equipments and stored rice.

However, there is still the packaged rice factory and warehouse of readymade products in Nakhon Ratchasima, which is a highland with low floor risk. Nonetheless, it was still indirectly affected from the transportation and distribution, causing the Company to lose the opportunity to gain income during the time. RPG then has a plan to add 2 more warehouses in Suratthani and Had Yai, Songkhla so that the products can be stocked and distributed to different provinces more effectively. The new warehouses will allow the Company to have more effective production and distribution plans while reduce the risk of losing revenue during such crisis.

## RISK FACTORS OF FINANCIAL BUSINESS

### ■ CREDIT RISK MANAGEMENT OF NON-PERFORMING LOANS

The risk arises from debtor and the counterparties of the loan agreements who default or are unable to fulfill their obligation that is agreed in the contract. This can arise from debtor facing financial distress due to the economic fluctuations or mismanage, as a result, the Group's revenues will be adversely affected.

However, the Group is aware of the management of the risk arising from non-performing loans, which is the key problem of the financial service business. Therefore the Company emphasize on debt collection management by established a policy and procedures for monitoring the quality of the loans regularly. To begin with, the Group puts in a place procedures for appraising the creditworthiness of the borrowers or counterparties of the loan agreement. The credit analysis unit is responsible for appraising the risk and determining a suitable credit line as well as related terms and conditions to be included in each loan agreement. Moreover, there is an authorized committee that can approve loan applications and is responsible for overseeing the related operations.

### ■ RISK ARISING FROM COLLATERALS

For secured loans, the Group puts in place a system to assess and classify the quality of each type of collaterals, taking into consideration the liquidity and the risk related to the collaterals. The analyses will be used to consider the loan application. In this connection, all the collaterals regardless of whether they are movable or immovable assets are subject to appraisal by qualified independent appraisers. Buildings are also insured against fire throughout the contract term, which will compensate for the possible future damage. As regards the motorcycle hire purchase business, T Leasing Company Limited is the holder of the collateral and possesses the ownership of the collateral. If borrowers fail to repay their loans, the company can repossess the motorcycle which serves as collateral right away and sells it in the used motorcycle market.

As a result, there is a risk arising from the inability to repossess the motorcycle, which serves as collateral. As well, there is a risk arising from the proceeds from selling the repossessed motorcycle being insufficient to repay the outstanding balance on the loan and other damages caused.

### ■ RISK ARISING FROM PRICE AND INTEREST RATES

This risk arises from interest rate movements in the financial market and the capital market, which may have adverse impacts on the Group's financial costs and sales revenues, particularly those companies engaged in hire purchase business,. In the hire purchase business, the borrowers are required to pay a fixed rate of interest.

However, in order to absorb the risk, the Group charges a higher interest rate on loans, in line with the higher risk when compared with the risk faced by commercial banks. Other measures to absorb the risk include, among others, charging a floating interest rate on loans or imposing prepayment penalties.

## RISK FACTORS OF OTHER BUSINESS

### APPLE AUTO AUCTION (THAILAND) COMPANY LIMITED ("AAA")

#### ■ RISK FROM DEPENDING ONLY FROM A FEW CAR DELIVERER

In the car auction business there are two main car deliverers, which are the only 2-3 financial institutions. The proportion of the total number of cars from these car deliverers are more than 50% of all the cars put into auction at the present. AAA has only 1 main car deliverers and last year 70% of cars were put into auction. If AAA is not able to maintain this car deliverer, this will have major impact on AAA revenue.

To prevent the said risk, AAA had improved services standard and developing internal work system to be in the standard and higher than the criterions that the vendor had set. The Company also work together with the main deliverer to develop strategies to make the most benefits on the basis of neutrality and transparent for both the purchaser and the vendor.

#### ■ **RISK FROM ERRORS IN ONLINE AUCTION SYSTEM**

In an auto auction bidders can bid at the auction place or online from home. Only permanent members are allowed to bid via internet. In the past AAA had some problems with the online auction system that is not complete such as the car that customer saw online was not the same car at the actual auction place. Customer then rejected the car and caused AAA a loss in having to pay the car price back to the seller.

However, AAA has set up a measure to prevent such risk by improving the online auction system to be more modern and can render both view and sound from the actual auction place. Most importantly the new system must be able to prevent all the past errors. The new system is expected to be ready in April 2012.

### **X-GEN PREMIUM COMPANY LIMITED (“X-GEN”)**

#### ■ **RISK ARISING FROM ECONOMIC SITUATION**

In selling cars in the market depends on the domestic economic situation, consumer with purchasing power will decrease if the economic situation and the political stability are not stable. Which X-Gen had always follow and analyze the economic and politic situation and work together with YAMAHA Thailand Company Limited to create marketing plan to prevent the said risk.

#### ■ **RISK ARISING FROM DISTRIBUTING ONLY ONE BRAND OF MOTORCYCLE**

At present, the sales revenue of YAMAHA motorcycle is in second rank of the domestic market. In being the motorcycle distributor of X-Gen that is permitted to sells YAMAHA’s motorcycle put the Company in to competitions with other competitors, which there are many higher group such as vendor of other motorcycle brand, distributor of motorcycle with the same brand at which can be purchase across zone, secondhand motorcycle vendors which have a cheaper price. But the most significant competitors are Sub Dealer that are not permit by the product owner but able to sell every brand of the motorcycle, by buying from the distributor to resell it. These kind of sub dealers are everywhere and this is the Company disadvantages as these sub dealer can make more sells and able to reach customer more, less investment and able to sell every brand. Moreover, the motorcycles were not purchased from X-GEN but able to vendor and compete with the Company. Yamaha is well aware of the said problem but was not able to control it.

X-GEN had tried to decrease the said risk by using marketing strategies to attract customer to purchase X-GEN motorcycle instead. This is done by, meeting the customer need in the area that competitors especially the sub dealers are not able to provide.

### **RISK FACTOR OF SUPPORTING BUSINESSES**

As the supporting businesses were just set up during late last year, there were not any significant business transactions yet.



# TELEPHONE & FAX NUMBERS OF JURISTIC PERSONS

WHICH MBK HOLDS MORE THAN 10%

as of December 31, 2011

Type of business	Name of company	Telephone Number	Fax Number
<b>Shopping center business</b>	1. Paradise Park Company Limited	0-2746-0444	0-2746-0555
	2. Paradise Retails Company Limited	0-2746-0444	0-2746-0555
	3. Siam Piwat Company Limited	0-2658-1000-19	0-2658-1020-1
	4. Siam Delice Company Limited	0-2620-9000	0-2620-7000
	5. Glas Haus Building Company Limited	0-2260-6117-9	0-2260-6055
	6. Glas Haus Ratchada Company Limited	0-2693-9389	0-2693-9388
	7. MBK Smart Force Company Limited	0-2620-9000	0-2620-7000
	8. The Nine Center Company Limited	0-2716-7999	0-2716-7998
	9. MBK Center Company Limited	0-2620-9000	0-2620-7000
	10. MBK Bangyai Company Limited	0-2620-9000	0-2620-7000
	11. MBK Square Company Limited	0-2620-9000	0-2620-7000
<b>Hotel and tourism business</b>	12. MBK Business Company Limited	0-2620-9000	0-2620-7000
	13. MBK Entertainment Company Limited	0-2620-9000	0-2620-7000
	14. Absolute Travel Company Limited	0-2620-9934-44	0-2620-9936
	15. MBK Leisure Company Limited	0-2620-9934-44	0-2620-9936
	16. MBK Hospitality Management Company Limited	0-2216-3700	0-2611-4622
	17. Paemala Spa Company Limited	0-2216-3700 # 14 Branch 0-7562-8885	0-2686-3665 Branch 0-7562-8028
	18. MBK Food Island Company Limited	0-2620-9812	0-2620-9815
	19. Tantara Gallery Company Limited	Head Office 0-2216-3700	Head Office 0-2216-3730
	20. MBK Hotels and Resorts Company Limited	Head Office 0-2620-9000 Branch 0-7562-8000	Head Office 0-2620-7000 Branch 0-7562-8048
	21. Supsinthanee Company Limited	Head Office 0-2620-9000 Branch 0-7783-5240	Head Office 0-2620-7000 Branch 0-7783-5239
	22. Royal Orchid Hotel (Thailand) Public Company Limited	0-2266-0123	0-2236-6646
	23. MBK Asset Company Limited	0-2620-9000	0-2620-7000
	24. Lanta Land Development Company Limited	0-2216-3700 Branch 0-7560-7100	0-2611-4622 Branch 0-7560-7199
	25. MBK Capital Company Limited	0-2620-9000	0-2620-7000
	26. DMS Property Investment Private Limited	(960) 333 0678	(960) 333 2515

Type of business	Name of company	Telephone Number	Fax Number
<b>Golf business</b>	27. Riverdale Golf and Country Club Company Limited	Head Office 0-2620-9000 Branch 0-2501-2789	Head Office 0-2620-7000 Branch 0-2501-1833
	28. MBK Resort Public Company Limited	Head Office 0-2620-9000 Branch 0-7632-1929	Head Office 0-2620-7000 Branch 0-7632-1927-8
	29. Nasset Property Fund1	0-2126-8300	0-2263-0875
	30. Phuket Loch Palm Golf Club Company Limited	Head Office 0-2620-9000 Branch 0-7632-1929	Head Office 0-2620-7000 Branch 0-7632-1927-8
<b>Real estate development business</b>	31. Plan Estate Company Limited	0-2260-6100	0-2260-6099
	32. Crystal Lake Properties Company Limited	Head Office 0-2620-9000 Branch 0-7632-1929	Head Office 0-2620-7000 Branch 0-7632-1927-8
	33. C L P Management Company Limited	Head Office 0-2620-9000 Branch 0-7632-1744	Head Office 0-2620-7000 Branch 0-7632-1609
	34. Plan Appraisal Company Limited	0-2260-6100	0-2260-6099
	35. Lan Bangna Company Limited	0-2260-6100	0-2260-6099
	36. Kathu Land Company Limited	0-2620-9000	0-2620-7000
	37. MBK Residence Company Limited	0-2620-9000	0-2620-7000
<b>Rice business</b>	38. Patum Rice Mill and Granary Public Company Limited	0-2501-2021-34	0-2501-2182
	39. PRG Granary Company Limited	0-2501-2021-34	0-2501-2182
	40. Ratchasrima Rice Company Limited	0-2501-2021-34	0-2501-2182
	41. Sima Pac Company Limited	0-2501-2021-34	0-2501-2182
	42. Innofood (Thailand) Company Limited	0-2501-2021-34	0-2501-2182
<b>Financial business</b>	43. MBK Guarantee Company Limited	0-2620-7123	0-2620-7138
	44. Primacy Elegance Investments Limited	Contact to office 0-2620-9000	Contact to office 0-2620-7000
	45. MBK Premium Company Limited	0-2620-9000	0-2620-7000
	46. T leasing Company Limited	0-2832-2522	0-2611-9488
	47. Max Asset Management Company Limited	0-2611-9533	0-2611-9494
<b>Other business</b>	48. Apple Auto Auction (Thailand) Company Limited	Head Office 0-2620-9000 Branch 02-3992299	Head Office 0-2620-7000 Branch 02-399-2244
	49. The Olympic Club Company Limited	0-2620-9000	0-2620-7000
	50. MBK Arcade Company Limited	0-2620-9000	0-2620-7000
	51. X-Gen Premium Company Limited	Head Office 0-2620-9000 Bangcare Branch 0-2455-4388 Samrong Branch 0-2757-9100	Head Office 0-2620-7000 Bangcare Branch 0-2757-8590 Samrong Branch 0-2455-4350
<b>Support business</b>	52. MBK Advanced Company Limited	0-2620-9000	0-2620-7000
	53. Puen Pob Paet Company Limited	0-2620-9000	0-2620-7000
	54. MBK Training Center Company	0-2620-9000	0-2620-7000
	55. MBK Insurance Broker Company Limited	0-2620-9000	0-2620-7000
	56. MBK Life Assurance Broker Company Limited	0-2620-9000	0-2620-7000

# JURISTIC PERSONS WHICH MBK HOLDS MORE THAN 10%

as of December 31, 2011

Type of business	Name of company	Head quarters	Main business	Registered capital (Baht)	Paid-up capital (Baht)	Direct share-holding (%)	Indirect share-holding (%)
Shopping center business	1. Paradise Park Company Limited	Bangkok	Shopping center and Real estate rental	100,000,000	100,000,000	50.00	15.36 <sup>/1</sup>
	2. Paradise Retails Company Limited	Bangkok	Shopping center	5,000,000	5,000,000		65.36 <sup>/2</sup>
	3. Siam Piwat Company Limited	Bangkok	Shopping center and Real estate rental	174,000,000	174,000,000	30.72	-
	4. Siam Delice Company Limited	Bangkok	Shopping center and Real estate rental	20,000,000	20,000,000	50.00	15.36 <sup>/1</sup>
	5. Glas Haus Building Company Limited	Bangkok	Real estate rental	195,000,000	195,000,000	-	99.99 <sup>/4</sup>
	6. Glas Haus Ratchada Company Limited	Bangkok	Real estate rental	1,083,500,000	1,083,500,000	99.99	-
	7. MBK Smart Force Company Limited	Bangkok	Security service	1,000,000	1,000,000	99.97	-
	8. The nine center Company Limited	Bangkok	Shopping center and Real estate rental	95,000,000	95,000,000	-	99.99 <sup>/3</sup>
	9. MBK Center Company Limited	Bangkok	Dormant	2,000,000	2,000,000	99.99	-
	10. MBK Bangyai Company Limited	Bangkok	Dormant	20,000,000	20,000,000	99.97	-
	11. MBK Square Company Limited	Bangkok	Property management	1,000,000	1,000,000	99.97	-
Hotel and tourism business	12. MBK Business Company Limited	Bangkok	Recruitment service	570,000,000	570,000,000	99.99	-
	13. MBK Entertainment Company Limited	Bangkok	Food center	90,000,000	90,000,000	-	81.23 <sup>/6/7</sup>
	14. Absolute Travel Company Limited	Bangkok	Ticketing agent	5,000,000	5,000,000	-	99.99 <sup>/5</sup>
	15. MBK Leisure Company Limited	Bangkok	Tourism and Reservation	1,050,000	1,050,000	-	49.00 <sup>/5</sup>
	16. MBK Hospitality Management Company Limited	Bangkok	Hotel and traveling management	5,000,000	5,000,000	99.99	-
	17. Paemala Spa Company Limited	Bangkok	Spa	5,000,000	5,000,000	-	25.00 <sup>/5</sup>
	18. MBK Food Island Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	81.21 <sup>/9</sup>
	19. Tantara Gallery Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	63.21 <sup>/5/6</sup>
	20. MBK Hotels and Resorts Company Limited	Bangkok	Hotel	2,200,000,000	2,200,000,000	99.99	-
	21. Supsinthanee Company Limited	Bangkok	Hotel	505,325,000	505,325,000	99.99	-
	22. Royal Orchid Hotel (Thailand) Public Company Limited	Bangkok	Hotel	937,500,000	937,500,000	29.77	-
	23. MBK Asset Company Limited	Bangkok	Dormant	300,000,000	300,000,000	99.99	-
	24. Lanta Land Development Company Limited	Bangkok	Hotel	340,000,000	340,000,000	99.99	-
	25. MBK Capital Company Limited	Bangkok	Land rental	5,000,000	5,000,000		99.98 <sup>/8</sup>
	26. DMS Property Investment Private Limited	Republic of Maldives	Hotel and tourism	1,201,623,500	1,201,623,500	-	30.00 <sup>/8</sup>
Golf business	27. Riverdale Golf and Country Club Company Limited	Bangkok	Golf course service and real estate development	4,000,000,000	4,000,000,000	99.99	-
	28. MBK Resort Public Company Limited	Bangkok	Golf course service	200,000,000	160,000,000	-	72.59 <sup>/8/10</sup>
	29. Nasset Property Fund1	Bangkok	Property Fund	305,430,900	305,430,900	-	72.44 <sup>/11</sup>
	30. Phuket Loch Palm Golf Club Company Limited	Bangkok	Dormant	2,000,000	2,000,000	-	72.58 <sup>/11</sup>

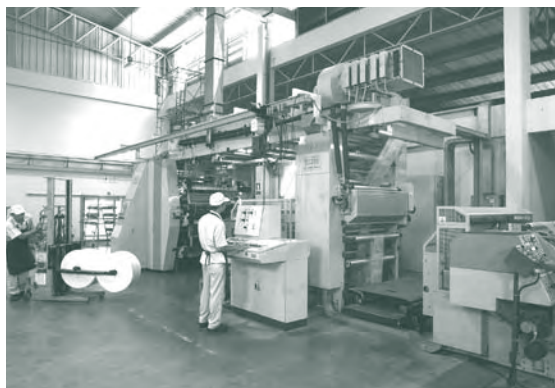
Type of business	Name of company	Head quarters	Main business	Registered capital (Baht)	Paid-up capital (Baht)	Direct share-holding (%)	Indirect share-holding (%)
<b>Real estate development business</b>	31. Plan Estate Company Limited	Bangkok	Real estate development for selling	200,000,000	200,000,000	-	72.58 <sup>/11</sup>
	32. Crystal Lake Properties Company Limited	Bangkok	Real estate development for selling	8,000,000	8,000,000	-	72.58 <sup>/11</sup>
	33. C L P Management	Bangkok	Property management	2,000,000	500,000	-	72.57 <sup>/12</sup>
	34. Plan Appraisal Company Limited	Bangkok	Asset appraisal services	55,000,000	55,000,000	-	72.57 <sup>/13</sup>
	35. Lan Bangna Company Limited	Bangkok	Renting of warehouse space	80,000,000	80,000,000	-	72.57 <sup>/13</sup>
	36. Kathu Land Company Limited	Bangkok	Dormant	4,000,000	4,000,000	-	70.35 <sup>/8</sup>
	37. MBK Residence Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	99.96 <sup>/3</sup>
<b>Rice business</b>	38. Patum Rice Mill and Granary Public Company Limited	Pathum Thani	Rice business	900,000,000	600,000,000	74.52	-
	39. PRG Granary Company Limited	Pathum Thani	Silo and sale of electricity	1,000,000,000	1,000,000,000	-	74.51 <sup>/14</sup>
	40. Ratchasima Rice Company Limited	Pathum Thani	Manufacturing and distribution of rice	250,000,000	250,000,000	-	74.50 <sup>/15</sup>
	41. Sima Pac Company Limited	Pathum Thani	Plastic bag production	50,000,000	50,000,000	-	37.25 <sup>/15</sup>
	42. Innofood (Thailand) Company Limited	Pathum Thani	Manufacturing and distribution of health food "GABA rice"	21,000,000	21,000,000	-	27.95 <sup>/14</sup>
<b>Financial business</b>	43. MBK Guarantee Company Limited	Bangkok	Lender and surety of debt	500,000,000	500,000,000	-	99.98 <sup>/3</sup>
	44. Primacy Elegance Investments Limited	British Virgin Island	Investment	2,218,000	110,900	100.00	-
	45. MBK Premium Company Limited	Bangkok	Leasing and hire purchase	528,319,300	528,319,300	99.99	-
	46. T leasing Company Limited	Bangkok	Motorcycle hire purchase	180,000,000	180,000,000	99.99	-
	47. Max Asset Management Company Limited	Bangkok	Asset management	572,000,000	572,000,000	16.56	-
<b>Other business</b>	48. Apple Auto Auction (Thailand) Company Limited	Bangkok	Broker of cars and motorcycles	90,000,000	90,000,000	49.99	-
	49. The Olympic Club Company Limited	Bangkok	Real estate rental	700,000,000	700,000,000	99.99	-
	50. MBK Arcade Company Limited	Bangkok	Dormant	1,000,000	1,000,000	99.99	-
	51. X-Gen Premium Company Limited	Bangkok	Motorcycle dealer and service center	1,000,000	1,000,000	99.99	-
<b>Supporting business</b>	52. MBK Advanced Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	99.89 <sup>/16</sup>
	53. Puen Pob Paet Company Limited	Bangkok	Ceased operations	1,000,000	1,000,000	36.29	-
	54. MBK Training Center Company	Bangkok	Training and seminar service	1,000,000	1,000,000	99.97	-
	55. MBK Insurance Broker Company Limited	Bangkok	During license approval process	1,999,700	1,999,700	99.99	-
	56. MBK Life Assurance Broker Company Limited	Bangkok	During license approval process	1,999,700	1,999,700	99.99	-

**Note**

- <sup>/1</sup> Held by Siam Piwat Company Limited  
<sup>/2</sup> Held by Paradise Park Company Limited  
<sup>/3</sup> Held by Riverdale Golf and Country Club Company Limited  
<sup>/4</sup> Held by MBK Guarantee Company Limited  
<sup>/5</sup> Held by MBK Business Company Limited  
<sup>/6</sup> Held by Paemala Spa Company Limited  
<sup>/7</sup> Held by Glas Haus Ratchada Company Limited  
<sup>/8</sup> Held by MBK Hotels and Resorts Company Limited

- <sup>/9</sup> Held by MBK Entertainment Company Limited  
<sup>/10</sup> Held by MBK Premium Company Limited  
<sup>/11</sup> Held by MBK Resort Public Company Limited  
<sup>/12</sup> Held by Crystal Lake Properties Company Limited  
<sup>/13</sup> Held by Plan Estate Company Limited  
<sup>/14</sup> Held by Patum Rice Mill and Granary Public Company Limited  
<sup>/15</sup> Held by PRG Granary Company Limited  
<sup>/16</sup> Held by The Olympic Club Company Limited

# SHAREHOLDING STRUCTURE AND MANAGEMENT



## SHAREHOLDERS

On September 27, 2011, the book closing date for collect the name of shareholders according to Securities and Exchange Act section 225, there were 33 shareholders holding more than 0.5% of MBK paid-up shares, totaling 78.20% of its paid-up capital and 2,086 minority shareholders holding not exceeding 0.5% of its paid-up capital, totaling 21.80% of its paid-up capital.

The top ten major shareholders of MBK Public Company Limited were as follows:

NAME	NUMBER OF SHARES*	%
1. Patum Rice Mill and Granary Public Company Limited *	49,924,953	26.47%
■ Patum Rice Mill and Granary Public Company Limited *	47,424,953	25.14%
■ PRG Granary Company Limited	2,500,000	1.33%
2. Thanachart Capital Public Company Limited Group	37,537,209	19.90%
■ Thanachart Capital Public Company Limited	18,856,209	10.00%
■ Thanachart Life Insurance Co., Ltd.	7,684,200	4.07%
■ Thanachart Securities Public Company Limited	7,560,300	4.01%
■ Thanachart Insurance Co., Ltd.	3,436,500	1.82%
3. State Street Bank and Trust Company for Australia	7,050,900	3.74%
4. NORTRUST NOMINEES LTD.	6,643,200	3.52%
5. Mr. Yongsak Kanathanavanich	4,421,400	2.34%
6. DBS BANK A/C DBS NOMINEES-PB Clients	3,598,400	1.91%
7. AMERICAN INTERNATIONAL ASSURANCE COMPANY, LIMITED-APEX	3,086,400	1.64%
8. Thai NVDR Co., Ltd.	3,009,100	1.60%
9. Thanachart Employee Savings and Credit Cooperatives. Ltd.	3,000,000	1.59%
10. Ms. Sinee Thienprasiddhi	2,550,233	1.35%

\* The number of shares included with the shares held by the related parties according to section 258 of Securities and Exchange Act (No. 4) B.E. 2551



## MANAGEMENT STRUCTURE

### (I) MANAGEMENT STRUCTURE

The Company's management structure consists of the Board of Directors and specialized committees responsible for supporting important management areas and works in respect of which the Board of Directors has adopted resolutions including the Audit Committee, the Executive Committee as well as the Compensation and Nomination Committee. There are still various sub-committees, the sub-committee for the consideration of rents, and the sub-committee for management of the real estate business development project. The details of the responsibilities of the various committees are as follows:

#### I) THE BOARD OF DIRECTORS

The Company's Board of Directors is comprised of 11 members including:

- 10 non-executive directors (of whom 5 are independent, exceeding one-third of the whole number of the Board)
- 1 executive director.

#### LIST OF THE BOARD OF DIRECTORS ARE AS FOLLOWS:

NAME		POSITION	APPOINTED DATE
1) Mr. Banterng	Tantivit	Chairman	September 14, 1989
2) Mr. Suphadej	Poonpipat	Vice Chairman	September 14, 1989
3) Professor Paichitr	Rojanavanich	Independent Director	October 6, 1999
4) Ms. Prakong	Lelawongs	Independent Director	April 8, 1994
5) Mr. Pracha	Jaidee	Independent Director	October 31, 2007
6) First Lieutenant	Chatrachai Bunya-Ananta	Independent Director	December 9, 1998
7) Ms. Panit	Pulsirivong	Independent Director	April 8, 1994
8) Mr. Piyaphong	Artmangkorn	Director	October 8, 1998
9) Mr. Suvait	Theeravachirakul	Director and President	October 26, 2000
10) Mr. Hatchapong	Phokai	Director	October 26, 2000
11) Mr. Atipon	Tantivit	Director	October 8, 2003

The Board of Directors' meeting is held once per month and for the fiscal year 2011/2012, the number of meetings held by the Board of Directors amounted to 6.

The definition and qualifications of independent directors according to the Company's policy on good corporate governance are in line with the criteria established by the Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), with details as follows:

- (1) not to hold more than 5 percent of the voting shares of the Company, or of each of its subsidiary, associate or affiliate companies or juristic persons that may have a conflict of interest;
- (2) not to be an officer, employee, consultants being paid a fixed salary or having authority to control the Company, its subsidiary, associate or affiliate companies or juristic persons that may have a conflict of interest;
- (3) not to be related by blood or by registration as a parent, spouse, brother or sister, or siblings or any of their spouses, to or of an executive, a major shareholder having a controlling power, or a person to be appointed an executive or a person having a controlling power of the Company or its subsidiary company;
- (4) not to have a business relationship with the Company or any of its subsidiary, associate or affiliate company or juristic person that may have a conflict of interest or otherwise which may render the director to be unable to give an independent opinion in relation to the operation of business of the Company.

## SCOPE OF AUTHORITY AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

1. The Board of Directors is responsible for managing all the Company's businesses in line with the legal requirements, the Company's objectives and Articles of Association, as well as the resolutions adopted at the shareholders' meetings.
2. The Board of Directors is authorized to assign one or more of its members or other persons to conduct any business affairs on behalf of the Company.
3. Names and number of directors authorized to sign on behalf of the Company:  
 Mr. Suvait Theeravachirakul, Mr. Hatchapong Phokai and Mr. Atipon Tantivit two-three directors are authorized to sign jointly with the Company's seal affixed.
4. The Board of Directors is authorized to appoint or change the directors serving as authorized signatories on behalf of the Company.

## TENURE OF THE BOARD OF DIRECTORS

1. At the Annual General Meeting each year, one-third of the directors must retire from office. If the number of the directors retiring from office does not amount to exactly one-third, the nearest whole number of one-third shall be used.  
 The directors who must retire from office in the first year and the second year in line with the preceding paragraph shall be selected by random drawing. In the following years, the directors with the longest tenure in office shall be required to retire. In an event that the number of directors with the longest tenure in office exceeds the number of directors who must retire, the retiring directors shall be selected by random drawing. The retiring directors are eligible for re-appointment.
2. Apart from retiring from office upon the expiration of the tenure, the director shall retire from office upon:
  - (1) Death;
  - (2) Resignation by delivering a written notice of resignation to the Company;
  - (3) Lacking the required qualifications or becoming forbidden by any provisions of the law;
  - (4) Resolution for the director to retire, which is adopted by at least three-fourths of the shareholders attending their meeting and having voting rights, provided that the combined number of the shares owned by these shareholders at least half of the total shares owned by all the shareholders attending the meeting and having the voting rights;
  - (5) The order by the court of law
3. If the directorship becomes vacant due to other reasons than the expiration of the tenure, the Board of Directors shall appoint a replacement who possesses the required qualifications and is not forbidden by any provisions of the law. The replacement shall be appointed at the Board of Directors' next meeting and has to be voted in by at least three-fourths of the remaining directors, with the exception of the situation in which the remaining tenure of the vacant directorship is less than two months.
4. In case the number of vacant directorships results in inadequate quorum, the remaining directors can act on behalf of the Board of Directors only in organizing a meeting of shareholders for the purpose of appointing replacements to fill the vacant directorships.
5. The directors appointed as replacements in line with Item 3 and Item 4 above shall be in the office only for the remaining term of the directorships being replaced.

## 2) THE EXECUTIVE COMMITTEE

List of the Company's Executive Committee, its Secretary and their positions are as follows:

NAME		POSITION
1) Mr. Banterng	Tantivit	Chairman of the Executive Committee
2) Mr. Suphadej	Poonpipat	Vice Chairman of the Executive Committee
3) Mr. Piyaphong	Artmangkorn	Member of the Executive Committee
4) Mr. Suvait	Theeravachirakul	Member of the Executive Committee
5) Ms. Dararat	Homrossukhon	Secretary of the Executive Committee

The Executive Committee's meeting is held once per month and for the fiscal year 2011/2012, the number of meetings held by the Board of Directors amounted to 6.

### **SCOPE OF WORK OF THE EXECUTIVE COMMITTEE**

Managing the Company's business affairs, ensuring that they follow the policies established by the Company's

### **DUTIES AND RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE**

1. Proposing policies and strategies for managing the Company's and its subsidiaries' businesses to the Board of Directors for approval.
2. Ensuring that the management team implements the established policies and strategies effectively and efficiently.
3. Considering and approving on the Company's liquidity management, investing in debt instrument rated investment grade (rated BBB+ up) with total amount not greater than Baht 200 million per one issue and reporting to the Board of Directors when such transaction was approved.
4. Considering and approving on the Company's requirement of other capital expenditures and expenses, not specified in the annual budget, with total amount not exceeding Baht 20 million per one meeting of the Board of Directors and reporting to the Board of Directors when such transaction was approved.
5. Managing risks of financial or investment activities relating to the Company's and its subsidiaries' projects by means of establishing risk management policies as well as monitoring and assessing results, the report of which to be presented to the Board of Directors for consideration.
6. Considering the suitability of the Company's annual business plan and budget before proposing them to the Board of Directors for approval.
7. Considering the Company's Organization Chart, authority, salary structure, and annual remuneration for the staff and the management team before presenting them to the Board of Directors for approval.
8. Managing the Company's business affairs, ensuring that they comply with the legal requirements and that there is no conflict of interest.
9. Supervising the works of various committees.
10. Carrying out other duties as assigned by the Board of Directors.

### **TENURE OF THE EXECUTIVE COMMITTEE**

The chairman and the members of the Executive Committee shall have the same tenure as the Board of Directors' tenure.

### **3) THE AUDIT COMMITTEE**

The Board of Directors established the Audit Committee on 4 February 1999. The Committee is comprised of 3 members, all of whom are independent. Two of the members have adequate knowledge and experience in auditing financial statements. Their qualifications meet all the regulations of the Stock Exchange of Thailand. The current members of the Audit Committee include the following:

### **LIST OF THE AUDIT COMMITTEE, ITS SECRETARY AND THEIR POSITIONS ARE AS FOLLOWS:**

NAME		POSITION	NOTES
1) Professor Paichitr	Rojanavanich	Chairman of the Audit Committee	Independent director having knowledge and experience in accounting and finance
2) Ms. Prakong	Lelawongs	Member of the Audit Committee	Independent director having knowledge and experience in accounting and finance
3) Mr. Pracha	Jaidee	Member of the Audit Committee	Independent director having knowledge and experience in law
4) Ms. Yupapun	Paritranun	Secretary of the Audit Committee	

The meeting of the Audit Committee will be held at least once every month. The minutes of the meetings will have to be sent to the Board of Directors for information. In addition, the Committee has to meet annually with the external auditors and the management to review the financial statements. For the fiscal year 2011/2012, the number of meetings held by the Audit Committee amounted to 8.

### **SCOPE OF WORK OF THE AUDIT COMMITTEE**

The Audit Committee is responsible for carrying out the assignments given by the Board of Directors.

### **DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

1. Ensuring that the company has appropriate and efficient internal control systems and internal audit.
2. Ensuring that the company's financial reports are accurate, complete and adequate.
3. Considering, reviewing, and proposing the appointment of the company's external auditor, including the auditing fee.
4. Ensuring that the company complies with the related rules and regulations as well as the requirements of the Stock Exchange of Thailand, Securities and Exchange Act.
5. Ensuring that the Management takes action on the deficiency or errors which have been found as a result of auditing, as well as putting pressure on the business units involved to correct the matters.
6. Reviewing evidence from internal investigations when there is an observation or an inference that there might be fraud, irregularities or substantial loopholes in the company's internal control systems and to report them to the Board of Directors for further consideration.
7. Giving instructions and reviewing evidence when there is an observation or an inference that there might be violations of laws or breaking of rules imposed by the Stock Exchange of Thailand, which have or might have significant impact on the company's financial position and performance.
8. Suggesting to the external auditor to verify or review transactions which are considered important and material during the period of auditing the company's financial accounts.
9. Co-operating with the internal audit department to consider and review the company's annual audit plan.
10. Approving the appointment, transfer, and removal of the Head of the Internal Audit.
11. Preparing the Audit Committee's report, which is separated from the Board of Directors' report. The Audit Committee's report to be signed by the Chairman of the Audit Committee will be included in the company's Annual Report.
12. Carrying out other duties as assigned by the Board of Directors.
13. Carrying out duties and responsibilities as required by the Stock Exchange of Thailand.
14. Considering and reviewing the accuracy and adequacy of the disclosure of connected transactions or other conflict of interests' transactions.

### **TENURE OF THE AUDIT COMMITTEE**

The chairman and the members of the Audit Committee shall have the same tenure as the Board of Directors' tenure.

### **4) THE COMPENSATION AND NOMINATION COMMITTEE**

List of the Compensation and Nomination Committee, its Secretary and their positions are as follows:

NAME	POSITION	NOTES
1) First Lieutenant Chatrachai Bunya-Ananta	Chairman of the Compensation	Independent Director and Nomination Committee
2) Mr. Suphadej Poonpipat	Member of the Compensation and Nomination Committee	
3) Ms. Panit Pulsirivong	Member of the Compensation and Nomination Committee	Independent Director
4) Mr. Suvait Theeravachirakul	Secretary of the Compensation and Nomination Committee	

For the fiscal year 2011/2012, the number of meetings held by the Company's Compensation and Nomination Committee amounted to 1.

## SCOPE OF WORK OF THE COMPENSATION AND NOMINATION COMMITTEE

Nominating the Company's directors and president as well as determining their remuneration.

## DUTIES AND RESPONSIBILITIES OF THE COMPENSATION AND NOMINATION COMMITTEE

1. Nominating suitable candidates for the Company's directorships and proposing them to the Board of Directors or to the shareholders at their meeting for approval, depending on the case.
2. Nominating suitable candidates to serve as the Company's President as well as determining the related remuneration package by taking into account the President's duties and responsibilities, the Company's financial position, the salary rate comparable to the standard rates of the same industry, and proposing them to the Board of Directors for consideration and approval.
3. Considering and evaluating the President's yearly performance. The performance result shall be proposed to the Board of Directors for considering and approving for a change in the President's salary or any other benefits.
4. Carrying out any duties as assigned by the Board of Directors.

## 5) SECRETARY OF THE COMPANY

The Company has appointed Ms. Dararat Homrossukhon, to act as secretary of MBK in accordance with the Securities and Exchange Act and the Good Corporate Governance practices of listed companies concerning the Responsibility of Directors, having the responsibility relating to the convening of meetings and the preparation and safe-keeping of documents, such as the register of directors, the notices for the convening of the meeting of the Board of Directors, the minutes of the meetings of the Board of Directors, the annual report of the Company, the notices for the convening of the meetings of the shareholders of the Company, the minutes of the meetings of the shareholders, and the report on the fact and the nature of conflicting of interests of the directors/executives, and the giving of recommendations, information/various regulations in respect of which the directors must have knowledge and compliance, and the attending to the various activities of the directors to enable them to discharge their duty efficiently and in the manner most beneficial to the Company.

## 6) THE EXECUTIVE MANAGEMENT

NAME		POSITION
1) Mr. Suvait	Theeravachirakul	President and CEO
2) Mr. Pongsak	Sabdasen	Senior Executive Vice President, Office of President
3) Mr. Kasemsuk	Chongmankhong	Senior Executive Vice President, Finance & Administration Division
4) Mr. Sakchai	Kengkijkosol	Senior Executive Vice President, Operation Division
5) Ms. Yupapun	Paritranun	Senior Executive Vice President, Internal Audit Division
6) Mr. Somboon	Wongrassamee	Executive Vice President, Business Development Division
7) Mr. Winai	Srichobtham	Executive Vice President, Marketing Division
8) Mr. Apichat	Kamoltham	Executive Vice President, Legal Division

## (2) NOMINATION OF DIRECTORS

In relation to selecting the candidates nominated or to be nominated as the Company's directors, the candidates are elected by the Compensation and Nomination Committee. Of the Board of Directors, a total of five members are representatives for the Company's major shareholders. In the appointment of directors, minor shareholders are also entitled to appoint the Company's directors.

The mechanism which the Company appoints its directors is specified in the Company's Articles of Association with details as follows:

1. The number of the Company's directors shall be determined by the shareholders at their meeting, provided that the number is not less than five. The directors may hold shares in the Company. However, at least half of the member of the Board of Directors must be residents in Thailand.
2. The directors shall be appointed at the shareholders' meeting in line with the rules and mechanism as follows:



- 2.1 Each shareholder shall have one vote for each of the shares held. (Each share entitles the holder to one vote.)
- 2.2 The directors may be appointed by casting votes for each director or a number of directors at the same time or by any other procedures as the shareholders at their meeting deem appropriate, provided that, at each voting, the shareholders shall cast all their votes in Item 2.1 without allocating some or more of their votes to any particular directors.
- 2.3 The persons in order of the votes received, starting from the one with the highest votes, shall be appointed to fill the vacant directorships. In an event that the persons appointed to fill the remaining vacant directorships receive the same number of votes (In case of ties), the Chairperson of the meeting shall cast the deciding vote.

### **(3) ADDITIONAL INFORMATION RELATING TO THE DIRECTORS AND THE EXECUTIVES OF THE COMPANY IS AS FOLLOWS:**

In 2011/2012, no director or executive of the Company has had any records of breaches of the law in respect of the following:

- 1) Being subject to a court judgment in respect of a criminal prosecution, except in the case of a prosecution arising from a traffic violation, petty offence, or any other similar offence;
- 2) Being adjudged a bankrupt person or placed under receivership in relation to his/her property;
- 3) Being an executive or a person having a controlling power over a company or partnership adjudged bankrupt or its asset being ordered to be placed under receivership;

The Company also appointed experts and executives from various departments to be in charge of considering and managing specific matters within the Company, ensuring that the matters were managed properly, efficiently, and effectively in the best interest of the Company. Committees and working groups were formed to look after and manage of the following specific matters.

#### **COMMITTEE RESPONSIBLE FOR SUPERVISING AND DEVELOPING SHOPPING CENTER BUSINESS ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Shopping Center Business
2. Risk Management Committee, Shopping Center Business
3. Development of Good Relationship between customers and Business groups Committee
4. Shopping Center Service Development Committee
5. Prevention against Vendors Causing Damage to the Shopping Center Committee
6. Shopping Center Major Renovation Committee
7. Uniqueness Creation Committee
8. Brand Development Committee
9. Welfare within Place of Business Committee (MBK Smart Force Co., Ltd.)
10. Company's Welfare (MBK Smart Force Co., Ltd.)

#### **COMMITTEES RESPONSIBLE FOR SUPERVISING AND DEVELOPING HOTEL AND TOURISM BUSINESS ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Hotel and Tourism Business
2. Risk Management Committee, Hotel and Tourism Business
3. Strategy Management and Balance Scorecard Committee, (MBK Public Co., Ltd. Pathumwan Princess Hotel branch)
4. Strategic Management and Balance Scorecard Committee, (SSTN Co., Ltd.)

#### **COMMITTEES RESPONSIBLE FOR SUPERVISING AND DEVELOPMENT OF GOLF BUSINESS**

1. Strategic Management and Balance Scorecard Committee, Golf Business
2. Risk Management Committee, Golf Business
3. Website Organizer for Golf Business Group Committee

4. Strategic Management and Balance Scorecard Committee (MBK Resort Public Co., Ltd.)
5. Risk Management Committee (MBK Resort Public Co., Ltd.)
6. ISO Quality Management System Committee
7. Safety Occupational Health and Environment Committee (MBK Resort Public Co., Ltd.)
8. Welfare within Place of Business Committee (MBK Resort Public Co., Ltd.)

**COMMITTEES RESPONSIBLE IN SUPERVISING AND DEVELOPING REAL ESTATE ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Real Estate Business
2. Risk Management Committee, Real Estate Business
3. Risk Management Committee (CLP Management Co., Ltd.)
4. ISO Quality Management System Committee (CLP Management Co., Ltd.)

**COMMITTEES RESPONSIBLE ON SUPERVISING AND DEVELOPING RICE BUSINESS ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Rice Business
2. Risk Management Committee, Rice Business
3. Strategic Management and Balance Scorecard Committee (Patum Rice Mill and Granary Public Co., Ltd.)

**COMMITTEES RESPONSIBLE IN SUPERVISING AND DEVELOPING FINANCIAL BUSINESS ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Financial Business
2. Risk Management Committee, Financial Business
3. Financial Management Business Committee
4. Mortgage Loan Management Committee

**COMMITTEES RESPONSIBLE IN SUPERVISING AND DEVELOPING OTHER BUSINESS ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Other Business
2. Risk Management Committee, Other Business

**COMMITTEE RESPONSIBLE FOR SUPERVISING AND DEVELOPING ORGANIZATION OPERATING SYSTEMS**

1. Strategic Management and Balance Scorecard Committee, MBK Group Public Co., Ltd.
2. Risk Management Committee, MBK Group Public Co., Ltd.
3. Organizational Information System Development Committee
4. Strategic Management and Balance Scorecard Committee, MBK Center
5. Recommendation Committee
6. ISO 9000 Quality Management System Committee
7. Risk Management Committee

**MBK'S COMMITTEES THAT ARE RESPONSIBLE FOR SUPERVISING AND DEVELOPING HUMAN RESOURCES OF MBK COMPANY ARE AS FOLLOWS:**

1. Knowledge Management and Development Committee
2. Management Trainee and Company's Scholarship Project Committee
3. Organizational Culture Development Committee
4. Welfare within Place of Business Committee
5. MBK Public Co., Ltd. Welfare Committee
6. Safety Occupational Health and Environment Committee
7. Social and Environmental Responsibilities Committee
8. Provident Funds Committee
9. Savings and Credit Cooperative Committee

**MBK'S COMMITTEES THAT ARE RESPONSIBLE FOR TAKING CARE OF STAKEHOLDERS SUCH AS USERS OF THE SERVICES, LESSEES, CREDITORS AND DEBTORS ARE AS FOLLOWS:**

1. Claims and Indemnities Committee
2. Procurement Committee
3. Sale of Assets Committee

Moreover, MBK encourages all level of its employees to be part of the working groups to enhance the potential of its human resources. These working groups are as follows:

1. Learning Organizational Development Working Group
2. Knowledge Management Working Group
3. Energy Management Working Group
4. Organizational Information System Development Working Group
5. Promotion of 5-Sor Activities Working Group
6. In-house Energy Management Evaluator Working Group

**(4) DELEGATION OF AUTHORITY TO ACT ON BEHALF OF THE COMPANY**

The Company has put in place operational rules which provide details related to the exercise of authority to approve transactions on behalf of the Company. The objective is to delegate the authority to the staff holding different positions and in charge of performing various duties. To make the performance of their duties more flexible and efficient, they are authorized to act on behalf of the Company within the scope of authority specified by the Company. In this connection, the delegated authority is also subject to the Company's appropriate internal control systems.

**(5) REMUNERATIONS FOR DIRECTORS AND HIGH-RANKING EXECUTIVES**

**5.1 DIRECTOR REMUNERATIONS (1 JULY 2010 - 30 JUNE 2011)**  
**DIRECTOR REMUNERATIONS**

MEETING ALLOWANCE (THB)							
LIST OF NAME	DIRECTOR ALLOWANCE (THB)	BOARD OF DIRECTORS	AUDIT COMMITTEE	EXECUTIVE COMMITTEE	COMPEN- SATION AND NOMINATION COMMITTEE	GRATUITY (THB)	TOTAL REMUNERATION (THB)
1. Mr. Banterng Tantivit	240,000.00	240,000.00		420,000.00		1,509,032.80	2,409,032.80
2. Mr. Suphadej Poonpipat	144,000.00	144,000.00		252,000.00	25,000.00	1,131,774.60	1,696,774.60
3. Professor Paichitr Rojanavanich	120,000.00	120,000.00	350,000.00			754,516.40	1,344,516.40
4. Ms. Prakong Lelawongs	120,000.00	120,000.00	175,000.00			754,516.40	1,169,516.40
5. Mr. Pracha Jaidee	120,000.00	120,000.00	175,000.00			754,516.40	1,169,516.40
6. First Lieutenant Chatrachai Bunya-Ananta	120,000.00	120,000.00			50,000.00	754,516.40	1,044,516.40
7. Ms. Panit Pulsirivong	120,000.00	80,000.00			25,000.00	754,516.40	979,516.40
8. Mr. Piyaphong Artmangkorn	120,000.00	120,000.00		150,000.00		754,516.40	1,144,516.40
9. Mr. Suvait Theeravachirakul	120,000.00	120,000.00				754,516.40	994,516.40
10. Mr. Hatchapong Phokai	120,000.00	120,000.00				754,516.40	994,516.40
11. Mr. Atipon Tantivit	120,000.00	100,000.00				754,516.40	974,516.40
Total	1,464,000.00	1,404,000.00	700,000.00	822,000.00	100,000.00	9,431,455.00	13,921,455.00

## COMPARISON OF DIRECTOR REMUNERATIONS FROM 2007 - 2011

	JULY 1, 2007 – JUNE 30, 2008		JULY 1, 2008 – JUNE 30, 2009		JULY 1, 2009 – JUNE 30, 2010		JULY 1, 2010 – JUNE 30, 2011		JULY 1, 2011 – DECEMBER 31, 2011	
REMUNERATIONS	NUMBER (PERSONS)	AMOUNT (THB)	NUMBER (PERSONS)	AMOUNT (THB)	NUMBER (PERSONS)	AMOUNT (THB)	NUMBER (PERSONS)	AMOUNT (THB)	NUMBER (PERSONS)	AMOUNT (THB)
Allowances for Directors Meeting	13	6,095,000	11	7,085,000	11	7,150,000.00	11	8,229,500.00	11	4,490,000.00
Director Remunerations	13	6,568,334.49	11	7,153,207.44	11	8,131,736.75	11	8,959,882.25	11	9,431,455.00
Total		12,633,334.49		14,238,207.44		15,281,736.75		17,189,382.25		13,921,455.00

## 5.2 OTHER REMUNERATION

- None -

## 5.3 REMUNERATIONS FOR THE EXECUTIVE MANAGEMENT (JULY 1, 2011 – DECEMBER 31, 2011) REMUNERATIONS OF THE EXECUTIVE MANAGEMENT

EXECUTIVE MANAGEMENT	NUMBER (PERSONS)	AMOUNT ( MILLION THB)
Executive Management	8	24.90

## COMPARISON OF THE REMUNERATIONS FOR HIGH-RANKING EXECUTIVES FROM 2007 TO 2011

	JULY 1, 2007 – JUNE 30, 2008		JULY 1, 2008 – JUNE 30, 2009		JULY 1, 2009 – JUNE 30, 2010		JULY 1, 2010 – JUNE 30, 2011		JULY 1, 2011 – DECEMBER 31, 2011	
REMUNERATIONS	NUMBER (PERSONS)	AMOUNT (MILLION THB)	NUMBER (PERSONS)	AMOUNT (MILLION THB)	NUMBER (PERSONS)	AMOUNT (MILLION THB)	NUMBER (PERSONS)	AMOUNT (MILLION THB)	NUMBER (PERSONS)	AMOUNT (MILLION THB)
Remunerations (Salaries and Bonuses)	8	29.37	8	30.23	8	32.25	8	34.51	8	24.90

## (6) PERSONNEL

### 6.1 NUMBER OF EMPLOYEES

As of December 31, 2011, MBK Public Company Limited employed a total of 477 employees, consisting of Managing Director, Deputy Managing Director, 8 Managing Director Assistants and 469 employees. This also included 218 employees of MBK Smart Force Co., Ltd., The number of employees in each department are as follows:

	NUMBER OF EMPLOYEES (PERSON)*				
DIVISION	I JULY 2007- 30 JUNE 2008	I JULY 2008- 30 JUNE 2009	I JULY 2009- 30 JUNE 2010	I JULY 2010- 30 JUNE 2011	I JULY 2011- 31 DECEMBER 2011
1. Office of President	61	80	42	39	49
2. Legal	8	9	14	16	12
3. Business Development	70	9	17	16	11
4. Finance & Administration	96	101	120	115	125
5. Internal Audit	14	17	22	18	19
6. Marketing	7	85	101	88	91
7. Operation	207	194	139	131	139
8. MBK Smart Force Co., Ltd.	129	133	169	207	218

**Note :** Number of employees are calculated from the average of employee in each year.

## 6.2 REMUNERATION OF EMPLOYEES (EXCLUDE THE PRESIDENT AND THE EXECUTIVE MANAGEMENT)

Unit : Baht

REMUNERATIONS	1 JULY 2007 - 30 JUNE 2008	1 JULY 2008 - 30 JUNE 2009	1 JULY 2009 - 30 JUNE 2010	1 JULY 2010 - 30 JUNE 2011	1 JULY 2011 - 31 DECEMBER 2011
Salary, Bonus and					
Provident Fund	151,701,698.05	174,027,855.85	179,006,971.50	170,627,253.73	166,220,258.48

## 6.3 OTHER REMUNERATIONS

The Company has provided for other remunerations and welfare benefits in addition to salaries, such as bonuses, savings and credit cooperative, working at upcountry expenses, OT, uniform expenses, provident funds, medical treatment cost, group insurance, social security and yearly check up.

The Company had established provident funds entitled 'MBK Group Staff Provident Funds' on 1<sup>st</sup> July 1992. Under the terms and conditions specified in the Provident Funds, the Company agrees to make its subsidy and the employees who are members of the Provident Fund also agreed to make their contributions, the details of which are as follows:

SAVING RATE OF EMPLOYEES	SUBSIDY BY THE COMPANY		PAYMENTS FROM FUNDS	
- Members are required to contribute at least 5% of their salary but not more than the employer's subsidy for the members	<u>Years of Membership</u>		<u>Years of Membership</u>	<u>Subsidy and Benefits (%)</u>
	Membership			
	Commencement	Subsidy Rate 5%		
	2 years -less than 4 years	" 6%	Less than 1 year	0
	4 years- less than 6 years	" 7%	1 year-less than 3 years	30
	6 years- less than 8 years	" 8%	3 years-less than 5 years	50
	8 years-less than 10 years	" 9%	5 years- less than 7 years	70
	10 years or more	" 10%	7 years or more	100

## 6.4 HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT

The Company is well aware that each employee is a valuable resource in helping the Company to achieve its goals or vision and enhancing it into a leading company with sustainable growth. So the Company had adopted a policy in developing human resource for all level of employees. The objectives of this policy are to increase the efficiency of human resources in skills, knowledge, competency, attitude and good working behavior in their field of work. The Individual Development Plan will encourage each individual to learn, do research and continuously share their experiences. These management and Development programs such as Developing Human Resources Management System, training, giving scholarship to study in bachelor/ master level, work field trip both domestic and international, employees development plan and executive development plan to carry on important position in the Company, works management, building relationship of personnel and develop the organization of knowledge. These will lead the staff and Executive into topmost professional.

### 6.4.1 Development of Human Resources Management System

#### 6.4.1.1 Using Program to manage human resource database

The Company is proceeding with installing and developing PeopleSoft HCM 9.0, which is the system with functions that fully support management process in human resources such as recruit system, employment system, salary system, time record system, leave system, works management system, position successor management and progress in the occupation system. Moreover, this program allowed the manager of each division and the staff to enter into the data and use the system to manage (Self Service). It can also be connected to working system of other division, which is called Enterprise Resources Planning (ERP). This will enhance the efficiency in working and improving the Personnel management system into a higher system as well as enhance the level of satisfaction to the staff and any related individuals.



## **6.4.2 Strengthen and Develop Personnel Competency**

### **6.4.2.1 Strengthen and Develop Personnel Competency**

Developing Competency Model to be utilize in Human Resource division, start from searching and recruiting employees, training employees, develop employees in the form of Non Classroom Training, Career Development plan, Succession Planning and performance evaluation. The Company work together with the advisor in preparing competency to set a way to evaluate and prepare employees to handle the business demand both present and future. This also includes the ability to respond efficiently to changes of the Company.

### **6.4.2.2 Career Path & Career Group Development**

The company plan uses competency to top up in order to create Career Model of each Job Family, both that developed according to the field of work in the same career group and those that developed cross functional or cross career group, which will culminate in employees competency development, to have clear goal and able to respond to both business demand and growth in the employees obligations.

### **6.4.2.3 Training**

The Company had dedicated many resources that is required by the training needs to inspire and motivate positive vibrate for the employees at all level to continuously seek knowledge by offering modern training programs both inside and outside the Company. This is to reinforce the skills, knowledge, competence, vision and good behavior that is necessary in operating the work. This also includes using modern and efficiency tools to evaluate or follow-up training results of each course to make sure that the benefits the employees received from training programs are accurate, complete and in accordance with the objectives of the training. Training programs inside the company are organized to support the potential development of employees in all level. The training programs are Managerial Training, Technical training, Cultural Training, Computer Training and General Training which are described below.

#### **1) Managerial Training**

- 1.1) Immediate Supervisor Manager will learn about leadership skill with general management knowledge.
- 1.2) Middle Supervisor Manager will learn about leadership skill with knowledge in strategic management.
- 1.3) Management Supervisor Manager will learn about leadership skill with changing management for developing oneself and the team with the feeling of Entrepreneurship.

#### **2) Technical Training**

This course focuses on allowing the employees to develop body of knowledge, skills and necessary competence for the position and utilize it in practicing the work efficiently.

#### **3) Cultural Training**

This course focuses on allowing employees to develop their vision and good behavior inline with SMOOTH® and LDP cultural organization, which is the important standard in working together to build strong organization.

#### **4) Computer Training**

This course focuses on giving employees the body of knowledge, skills and abilities to fully utilize computer programs to its capacity for their work in the office, such as Enterprise Resources Planning: ERP and Human Resources Information System HRIS.

#### **5) General Training**

This course focuses on allowing the employees to develop their vision and good behavior in accordance with the organization.

#### **6.4.2.4 Giving Scholarship in Bachelor and Master Level**

The Company emphasizes on developing its employees to have high level of knowledge. This is to strengthen the potentiality of employees to be strong and fully efficiency. The Company offered domestic scholarship, Bachelor and Master level both in technical and Business field to employees that have potential by which the employees can choose the University they desired to study in.

#### **6.4.2.5 Domestic and International Company Field Trip**

The Company is conscious in producing employees with potentiality by focusing on encouraging employees to seek for knowledge and experiences in their field of work from in and outside the company, which will lead to understanding more of the body of knowledge. Organizing company field trip is another method that company sees important. Company field trip does not limit only in the domestic but the Company also organized company field trip to other countries as well, this is to peripheral vision in seeking knowledge from different aspect and aware of the advance of academics and new technologies which can be greatly adapt in works.

### **6.4.3 Preparing Personnel**

#### **6.4.3.1 Succession Plan**

The Company had prepared employees to meet both the present and future demand to handle with the business expansion by compiling Chief Executive Succession Planning and Individual Development Plan for employees, which are considered from functional competency, core competency and managerial competency that suits with present responsibility and future responsibility.

#### **6.4.3.2 Performance Management System**

The Company aimed at manager and employees of all level to be involved and understand target direction and expected results of the organization by brainstorming ideas, specify target and action plan together with organizational level, sector level and department level. This is to be certain that the performance and success of each individual will be part of the success of the organization.

Performance evaluations are set twice a year, mid year evaluation and at the end of the year evaluation. Moreover, the Company also applied Core and Managerial Competency evaluation with 360-degree style to use in the performance improvement and development plan as well as continuously help improve employees' competency to be better.

### **6.4.4 Employee Engagement**

The Company is well aware that employee engagement is one important fact in exerting and dedicating oneself to work and this will help the Company to be outstanding and reach its goals. The Company had established Quality of Work Life management system by continuously taking care of the employees as well as encourage employees to be part in a specify privileges through the welfare committee. The Company had established Savings and Credit Cooperative and provident funds to build stability for employees. Moreover, the Company had organized activities that will strengthen love and engagement for employees' family such as Family Day.

### **6.4.5 Learning Organization Development**

The Company has established cultural organization development committee and Learning Organization Activities working group to help employees to become aware and be part of the activities. This is the techniques in moving and enhancing organization vision by setting Company's core value and continuously set up activities so that each individual in the organization can together put into practice. This will impact on behavior, which is said to be the standard of reaching the organization goals or vision. "Learning Organization" was established from all level of personnel's learning and then knowledge is shared with each other and within the personnel, together with gaining knowledge from outside. The primary purpose of this is to give opportunities in seeking the best practice to use it in developing and building strong knowledge base of the organization which will be in time to the change and stability growth in a fierce business competitive and to achieve the vision of the organization and be the Learning Organization. We should have believes and hold on to the values and ways in practicing together which we called SMOOTH®

<b>Service Mind</b>	Service mind, primarily emphasizing on customer
<b>Merit &amp; Integrity</b>	Perform duties in a transparent manner, behave appropriately and adhere to the ethics principle.
<b>Ownership</b>	Love and proud of the organization, hold conscious of being the owner of the work.
<b>Openness</b>	Ready to be open-minded, listen, be open-minded and communicate openly.
<b>Teamwork</b>	Establish outstanding teamwork for the same goal.
<b>High Commitment</b>	Determined and dedicated to work and efficiently responsible for work assigned.
<b>Continuous Learning</b>	Learning creatively, continuously and systematically seeking new knowledge and self-development. Have the courage to change for a new way of working or new working system, which will enable the organization to grow and develop without limits.

Apart from behaving themselves to set a good example which is in line with the above-mentioned SMOOTH® values, the leaders or staff at the executive level should adhere to a set of leadership values called “LDP”, which will help them guide and lead their teams to the achievement of the organization goals. These additional values are as follows:

<b>Leader of Change</b>	Act as the change agent, lead with positive attitudes and vision as well as acceptable to all staff.
<b>Decisiveness</b>	Confident, have courage to make decisions based on knowledge, reasons and timely.
<b>People Development</b>	Develop ethical and competent staff. Give opportunities to others to grow in their career

In addition, the Company sees the importance of developing its personnel to become good citizens and participate in the development of corporate social responsibility on the basis of good corporate governance policy, as a framework to which the executives and the employees adhere.

Moreover, the Company had used Knowledge Management (KM) as one of the strategy, emphasizing on learning and developing of personnel to be in time with the expanding of business and to become Learning Organization (LO). The knowledge management committee, the representative of Chief Executive from each division, works together in carrying out the KM to manage knowledge so that it will develop in the same path and are compatible throughout the organization. Operating plan were set to create body of knowledge database (Km Website) to enhance culture in exchanging knowledge through activities such as KM Session and KM Corner for the purpose of continuously learning and to expand the cycle of exchanging knowledge which will increase competency and develop group and organization personnel level.

# GOOD CORPORATE GOVERNANCE

The Company's Board of Directors places strong emphasis on making the Company's business management appropriate, transparent, fair and accountable. The Company established a good corporate governance policy which was in line with the rules and principles of good corporate governance of the Stock Exchange of Thailand and Thai Institute of Directors which will bring about transparent business management and control as well as stability for the Company's business operations.

In 2003, the Company established a good corporate governance policy which was in line with the 15 principles of the good corporate governance promoted by the Stock Exchange of Thailand. The Company also prepared handbook on business ethics and the code of conduct for directors, executives and staff. The written information was disseminated to all the Company's executives and staff for compliance.

In 2010/2011 the Company's Board of Directors has considered to review and improve the good corporate governance policy, the business moralities, the committee ethics, the management ethics and the staff ethics. They were completely improved in accordance with a good corporate governance policy for listed company of The Stock Exchange of Thailand principles. The policies consist of the recommended best practices under the five categories as follows:

1. Rights of Shareholders
2. Equitable Treatment of Shareholders
3. Consideration of the Roles of Stakeholders
4. Information Disclosure and Transparency
5. Responsibilities of Directors

The Company has prepared handbook on its corporate governance policies and code of business conduct of MBK Public Company Limited. The contents include the good corporate governance policies, the code of business conduct, the code of ethics for directors and executives, and the code of ethics for employees. They have been given to all directors, executives and employees for their information and practice. The information, knowledge and the related news on the corporate governance are also distributed to the executives and employees regularly through the Company's internet and website. The orientation activities which are organized for new executives and employees also cover the topics on corporate governance as well as code of ethics for executives and code of ethics for employees for their information and practice guidelines. Moreover, when the Company makes their investments in various areas of businesses, it has applied the principles of good corporate governance to the business operations of those subsidiaries. The Company's Board of Directors is mainly determined to conduct all the Company's business affairs in an appropriate, transparent and fair manner. The adherence to the principles of good corporate governance will not only enhance the confidence of all concerned, including its shareholders and stakeholders, but also will add value to the Company in the long term.

The corporate governance policy of MBK Public Company Limited covers the following practices:

- 1) Factors and responsibilities of the Company's Board of Directors which include with the following
  - 1.1 The composition of the Board of Directors
  - 1.2 Independent of directors
  - 1.3 Roles and responsibilities directors
  - 1.4 Tenure of directors

- 1.5 The specific Committees
- 1.6 Directors Meeting
- 1.7 Separation of duties between the Board of Directors and the management
- 1.8 Training and development of directors
- 1.9 Self assessment of the Board of Directors
- 1.10 Leadership and vision
- 1.11 Remuneration of directors and senior executives
- 1.12 Succession plan
- 2) Rights and equitable treatment of shareholders and the dividend payment policy.
- 3) Rights of the Company's stakeholders including customers, trading partners, competitors, creditors, employees, society, communities and the environment.
- 4) Information disclosure and transparency as well as investor relations.
- 5) Internal control and risk management.
- 6) Business ethics.
- 7) Conflicts of interest which include the supervision of use of inside information.

The Company's code of business conduct, code of ethics for directors and executives and code of ethics for employees cover the following practices and behaviors:

1. In the conduct of the Company's business affairs, the directors, executives and employees are required to comply with all the laws, rules and regulations. The compliance is beneficial to the overall management systems.
2. The directors, executives and employees have responsibility towards the Company's shareholders and treat them in an honest and equitable manner. For the convenience of the shareholders, the Company puts in place channels for the shareholders to file their complaints and to obtain information about the Company.
3. The directors, executives and employees have responsibility towards the Company's customers and treat them in a fair and equitable manner. The directors, executives and employees establish good relationships with the customers and provide them with correct information in a timely manner and keep confidentiality of their information. The Company also puts in place procedures for the customers to file their complaints and to give their opinions or suggestions about the management.
4. In their conduct of business affairs, the directors, executives and employees show their responsibility towards the Company's trading partners, competitors, and officials by behaving in an appropriate, equitable and fair manner within the established framework, rules and regulations and without seeking undue benefits for themselves. The Company also puts in place procedures for the trading partners, competitors and officials to file their complaints and to give their opinions or suggestions about the management.
5. The directors, executives and employees show their responsibility towards the society, communities and environment by giving their assistance and cooperation to the state, communities, society and environment, educational institutions and political activities within the constitutional framework. The Company puts in place management systems of occupational health, safety and environment in line with the legal requirements.
6. The Company has responsibility towards its employees and treats them fairly. The Company looks after their employees in areas of benefits, welfare, working environment, and safety at work. The Company encourages the employees to develop their knowledge and skills and to make progress in their careers. The Company puts in place procedures for the employees to file their complaints on various matters.
7. The Company encourages all employees to live corporate values and safeguard the organization, taking into account the interests of the organization or the public.
8. The directors, executives and employees are prohibited from abusing their authority in seeking information for their own benefits



## **THE KEY POINTS RELATED TO THE IMPLEMENTATION OF THE CORPORATE GOVERNANCE CAN BE SUMMARIZED AS FOLLOWS:**

### **I. RIGHTS OF SHAREHOLDERS**

The Company realizes that each shareholder is the owner of the Company. As a result, it places emphasis on the appropriate maintenance of the shareholders' basic rights as stipulated by the law as well as other rights as deemed appropriate. These rights include, among others, to right to participate in the meetings of shareholders to be informed of the Company's performance and the right to receive a share of profit/dividends. The shareholders are provided with convenience to exercise their various rights such as proposal of agenda items, proposal of candidates for appointment as new directors, sending their questions about the Company prior to the shareholders' meetings, as well as the right to vote on agenda items under which a resolution needs to be adopted, with the understanding that the voting rights of all the shareholders will depend on the types of the shares they own. The Company has also established an investor relations unit responsible for providing the shareholders with the convenience to exercise their rights on various matters. Moreover, the Company has established the following policies in compliance with the principles of good corporate governance.

#### **I.1. SENDING THE NOTICE OF MEETING TO THE SHAREHOLDERS**

The Company has assigned Thailand Securities Depository Company Limited to send the notice of the meeting to the shareholders, both in Thai and English. The shareholders can use them as supporting information in making voting decisions on various matters. For example, under the meeting agenda, each agenda item clearly specifies the purpose and gives the opinion of the Board of Directors. As well, the notice of the meeting includes an annual report, financial statements annual report of MBK Public Company Limited and other related documents as well as the proxy statement. The notice of the meeting and the documents are sent to the shareholders whose names are on the share register not less than 14-21 days in advance. In addition the notice is posted on the Company's website not less than 30 days in advance and posted on newspapers for no fewer than 3 consecutive days prior to the meeting in order to allow the shareholders to prepare for the meeting in advance.

However, for the 2011 AGM meeting the Company sent an invitation letter to shareholders 21 days in advance and publish the invitation letter along with other relevant documents on the Company's website 30 days prior to the meeting. The purpose is to enable the shareholders to study the information before the meeting. Taking into consideration the convenience of shareholders in attending the meeting, the Company fixes appropriate date, time and place of meeting. In case any shareholders are unable to attend the meeting, they may appoint proxy holders to attend the meeting on their behalf, using the proxy statement provided by the Company. Or they may wish to appoint two independent directors proposed by the Company as their proxy holders. In voting on various agenda items, one share is equal to one vote.

#### **I.2. SETTING THE ANNUAL GENERAL MEETING**

The Company holds an annual general meeting of shareholders within four months from the end of its accounting period. In case it is urgent for the shareholders to consider special agenda items, an Extraordinary General Meeting of Shareholders will be held. The special agenda items include matters that may affect the interests of the shareholders or those that are related to the conditions, rules, laws or articles that need approval by the meeting of shareholders. During the period in 2011, the Company organized an Annual General Meeting of Shareholders on October 31, 2011 in Jamjuree Ballroom, Mezzanine Floor, Pathumwan Princess Hotel, Bangkok. In this connection, the Company provided the shareholders with convenience in an equitable manner. It put in place staff to welcome and look after the shareholders. For efficiency and the convenience of the shareholders, it made use of the barcode reader in registering the attendance of the shareholders. To check and verify the attendants' supporting documents, the Company started accepting registrations three hours before the meeting and stopped accepting registrations just before the last agenda item of the meeting is considered.

All 11 members of the Board of Directors participated in the Annual General Meeting of Shareholders. Among them were the Chairman of the Audit Committee and the Chairman of the Nomination and Remuneration Committee. As well, all its senior executives and its auditor attended the meeting.

Mr. Suchart Pluekmahadamrong, a certified public accountant, who was an independent auditor and did not hold any share of the Company, served as a neutral party in checking and counting votes. At the meeting, the Chairman conducted the meeting in compliance with all the requirements imposed by the law. He provided the shareholders with clarifications on all the meeting procedures including vote counting methods and the exercise of voting rights. The Chairman also provided the shareholders with a report on the Company's annual performance and other agenda items. Under each agenda item, the Chairman gave the shareholders an opportunity for giving opinions and suggestions as well as asking questions. In response to the questions, the Chairman and the executives gave the shareholders appropriate answers and explanations. The shareholders were requested to vote and adopt resolutions on all agenda items. In appointing new directors, the Company made arrangements for the shareholders to vote on each candidate separately. In this connection, the shareholders could also propose candidates for appointment as directors through the Company's website prior to the date of the meeting of shareholders. As well, they could propose additional candidates at the meeting. The minutes of the meeting were also accurately kept.

The Annual General Meeting of Shareholders took about two hours and twenty-five minute. Following the commencement of the registrations at 12.30 pm., the meeting started at 14:15 pm. and closed at 16.40 pm.

### **1.3. ACTIONS UNDERTAKEN AFTER THE MEETING OF SHAREHOLDERS**

The Company submitted the report of the voting result during the AGM to the Stock Exchange of Thailand (SET) within 1 day since the meeting was adjourned and also submitted the minutes of Annual General Meeting of Shareholders to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission within 14 days after the date of the meeting concerned. As well, the video recordings of the meetings are available on the Company's website (<http://www.mbk-center.co.th>). The purpose was to provide the shareholders with convenient access to the information.

## **2. EQUITABLE TREATMENT OF SHAREHOLDERS**

The Company places very strong emphasis on the equitable treatment of all the shareholders. As a result, it has included the upholding of the rights of shareholders and the equitable treatment of shareholders in its policies on the good corporate governance, the Company's performance, voting on appointment or removal of directors as well as dividend payments, proposing additional items to the agenda, and asking questions or giving opinions on various matters which the Board of Directors brings to the attention of the shareholders for information or consideration. Although some shareholders might not be able to attend the meeting, they can appoint other persons or the independent directors who are proposed by the Company to attend the meeting on their behalf by filling in the proxy statement sent by the Company together with other supporting details. To provide the shareholders with convenience, the Company also makes available the proxy statement as well as the related details and procedures on the Company's website 30 day prior to the meeting, from which the shareholders can download the form and the information. The shareholders can obtain additional information from the Company's investor relations unit.

All shareholders also have access to the information about the Company through various channels or sources such as its website (<http://www.mbk-center.co.th>), annual reports, Form 56-1 or the investor relations unit. In addition the Company has set up the investor relations unit to communicate with investors, shareholders and all stakeholders. The investor relations unit can be contacted by the following contact information:

## **CONTACT PERSON AND ADDRESS OF THE COMPANY'S INVESTOR RELATIONS UNIT:**

Mr. Sakchai Suthipipat  
MBK Public Company Limited  
8<sup>th</sup> Floor, MBK Center Building, 444 Phayathai Road,  
Kwaeng Wangmai, Pathumwan, Bangkok 10330  
Telephone : 0-2620-7120  
Fax : 0-2620-7000  
Email address : sakchais@mbk-center.co.th

## **3. CONSIDERATION OF STAKEHOLDERS' ROLE**

The Company looks after various groups of stakeholders whether they are internal stakeholders or external of the company such as shareholders, customers, trading partners, competitor, creditors, staff at all levels, as well as society in general and the environment to ensure that the stakeholders will receive appropriate rights. MBK Public Company Limited the stakeholders interest and feel confident that their rights are always taken care of and to foster cooperation between the stakeholder groups. This is also another factor that will support the sustainable and stable growth of the Company.

Moreover, in 2011, the Company declared its intention to participate in the anti-corruption campaign "Private Sector Collective Action Coalition against Corruption". The campaign includes 7 organizations, Thai Institute of Directors, Thai Chamber of Commerce, Foreign Chamber of Commerce in Thailand, Thai Listed Companies Association, Thai Banks Association, and Federation of Thai Capital Market Organizations, in order to declare its intention to operate a transparent business, and stand against corruption with the consideration of the utmost benefits of all stakeholders.

In order that, the details of related policies which the Company established to the Board of Director, the Executive Management and all of staff in order to treat to the stakeholders unless the shareholders are as follows:

### **I) CUSTOMERS**

The Company realizes that it is important for its customers to feel completely satisfied. This is because the Company's success depends on the customer satisfaction. To win customer confidence in its services, the Company needs to treat every customer fairly. The following policies and measures have been undertaken.

1. The Company honors all the terms and conditions agreed upon with the customers. In case it is not possible to honor any terms and conditions, the Company will try to find a satisfactory resolution or make necessary adjustments.
2. The Company treats all customers fairly and equitably.
3. The Company always keeps good relation with the customers.
4. The Company takes good care of the customers, taking into consideration their safety.
5. The Company provides the customers with accurate, adequate and timely information. It keeps the customers' information confidential. It will not use the customers' information for one's own benefit or for the benefit of the related parties.
6. The Company puts in place a system or process, through which the customers can file their complaints or give their suggestions about its services.

During the period of 2011/2012, no complaint was filed. Moreover, the Company undertook the following activities in line with the established policies.

- Providing training sessions for entrepreneurs in various topics including the training under the topic 'All about Arab' for entrepreneurs and tenants in the shopping center.
- Activities to strengthen the relationship among entrepreneurs in the Shopping Center which would also be aware of different issues in turn such as organizing an ecotourism under "MBK on Tour" Project for the fourth year at Nakhonnayok province to express gratitude to entrepreneurs and strengthen the relationships among them.

- Organized “Car Boot Swop” to allow people to exchange items and forbid any sale. In the event there were activities such as toys for ice cream, used paper for Chang folders, or items for eggs.

## **2) TRADING PARTNERS, COMPETITORS AND CREDITORS**

In conducting its business affairs, the Company takes into account the benefits of its trading partners, competitors and creditors. It treats them equitably and fairly, in the best interest of the Company and based on the principles of righteousness and suitability as well as the business relationship. The following are the Company’s practice guidelines.

1. The Company’s conduct of business affairs is under the framework of fair competition rules and in line with the good culture and tradition.
2. The Company honors all agreements, terms and conditions, as well as rules and regulations. If it is not possible to honor them, the Company will try to find a satisfactory resolution or make necessary adjustments.
3. The Company places emphasis on treating these stakeholders appropriately, equitably and fairly.
4. The Company does not ask for or accept or pay any undue benefits dishonestly. The Company also does not violate confidentiality. As well, it will not attempt to gain access to trade secrets in a dishonest manner.
5. The Company puts in place a system or process, through which its trading partners, competitors and creditors can file complaints.

During the period of 2011/2012, no complaint was filed.

## **3) SOCIETY, COMMUNITIES AND THE ENVIRONMENT**

The Company has always been committed to operating its business in a manner that shows responsibility towards society, communities and the environment. As part of its efforts, it takes actions that are of benefit to the society and communities. In particular, it complies with the building standards and requirements imposed by the authorities concerned. It has adopted the policies and measures as follows:

1. The Company complies with the laws as well as rules and regulations related to the environment.
2. It gives assistance to and cooperates with state agencies, communities, and educational institutions in their activities. The Company assists in preserving the local customs and traditions of the communities in which the Company and its offices are located. It also encourages its subsidiaries to adopt the same policy.
3. The Company encourages staff of the Company and its subsidiaries to be mindful of their responsibility towards society, communities and the environment.
4. The Company puts in place a system or process, through which complaints can be filed.

During the period of 2011/2012, no complaint was filed. Moreover, the Company undertook the following activities in line with the established policies.

### **Health-related activities, such as:**

- The Company, in corporation with Mission Hospital, organized a free healthcare check for clients who brought mothers with them. The health check included the bone mass, or fasting blood sugar, etc.
- The Company, in corporation with Mission Hospital, organized a free healthcare check in the occasion of Father’s Day for clients who brought fathers with them. The health check included the blood pressure level, body composition, sugar level, or blood cholesterol, etc.

#### **Activities for society and communities, such as:**

- The Company, in corporation with The Nine Center Company Limited, Love 2 Share group, Sanamdeklen Group and CSR TV on NBT Channel organized the “MBK - Hand in Hand for Flood Victims” to allow customers/people to donate money or necessity items for flood victims in many provinces in Thailand.
- The selling of Tattoo t-shirts to help flood victims and other activities such as body painting, open-hat performance by Skeleton Puppets, the showcase of cool motorcycles.
- The musical performance from the Triple H Music Project to raise fund and donated necessity items for flood victims.
- Loy Kratong activity in the period environment that included old-styled grocery and toy shops, taking pictures in traditional Thai costumes and other recreations in the traditional Thai style in order to raise funds to help flood victims.
- “Power of Music, Power of Talent” was organized by the corporation of MBK Center and Triple H Music to give financial support to new bands that wanted to make an album and creative music for society. There was also a music workshop in the event.
- “Celebrating the King of Music with 84 Artists to Play Music of Father” To give people an opportunity to express loyalty and extend best wishes to His Majesty the King in the occasion of the 84<sup>th</sup> Birthday Anniversary and to encourage children, young people and people to be aware of the favors of fathers and the importance of the family institution.
- Organizing activities to encourage young people to stay away from drugs such as singing and dancing competitions;
  - J-TREND IN TOWN for J-Pop music enthusiasts
  - Marching Band Contest
  - MBK Fight Night - Thai Boxing Competition.
  - Hello! Korea (Shall We Dance?).
  - Hello! Asian , the activity for Korean artists fan clubs and to discover the best cover dance group in Thailand
  - Thailand Big Fan Page
  - MBK Tattoo Contest, the annual tattoo competition for the Trophy from MBK
  - The Annual Cheerleading Contest by The Pizza Company.

#### **Activities for promoting arts and culture, such as:**

- “Thai Puppet Show by MBK” event with many interesting activities such as a workshop for Hanuman Masks, Puppet Show, Small Theatrical Puppetry Show: Ramanaya Series, Nang Loy episode, Children’s Khon Show. People could also take pictures with characters from Ramanaya and enjoy Thai traditional music throughout the event.

#### **Educational activities, such as:**

- Contemporary art and international dance (India) performances by freshman, sophomore and junior students of Bunditpatanasilpa Institute.
- Thai traditional drama and country music performance entitled “Kol Ruk Kol Nang” from students of SWU’s Faculty of Applied Arts and country music festival.
- MBK supported the work of students from ABAC’s Department of Acting Communication, Faculty of Communication arts by inviting them to perform Thai traditional martial arts such as Muay Chaiya, Muay Yipman, Muay Wingchun, and Muay Pakuachang, etc.

#### **Environmental activities, such as:**

- The Company promoted the use of degradable plastic bags instead of the normal plastic bags. It also launched a campaign aimed at encouraging people to use cloth bags in replacement of plastic bags.



- The Company has set aside additional spaces in front of MBK center to build a green wall for the purpose of reducing the pollution for the surrounding communities.
- Installing Deep Shaft Waste Water Treatment System which is a standard system to treat waste water in MBK Center building by reusing the treated water in cleaning the area around the building, the parking space and in the Cooling Tower system.
- Controlling the air quality within the department store by measuring the air quality annually.
- Collecting sample water for the lab to test for Legionella Bacteria for every 4 month.
- Evaluating the quality of water supply in every 3 month.

#### **4) EMPLOYEES**

The Company is aware that employees are the valuable assets and essential to the Company's achievement. The Company hopes that the employees will feel proud in the organization and have an equal opportunity to progress professionally and all are given a chance to continuously develop their skills. Therefore the Company has adopted the following guidelines in regards to its employees:

1. All employees shall be treated with equality and without prejudice.
2. The Company shall support and promote activities that allow employees to feel proud in the organization as well as strengthen the relationship among employees and between employees and that organization.
3. The Company shall provide fringe benefits for employees such as provident funds, healthcare and safety in the working environment.
4. The Company shall support and promote the development and professional progress of employees.
5. The Company shall set up a system and procedure that allows employees to file a complaint in case of injustice.

During the year 2011/2012 there was no complaint from any employee. The Company also organized the following activities consistent with the policy:

- The Company organized a seminar under the topic "The Importance of Good Corporate Governance to Organization Management at the Present Time" with the objective to educate the management staff of the Company and its associates about the importance of the good corporate governance principle which focuses on transparent, just and effective business operation.
- The Company, in corporation with Hua Chiew Rescue Center, Hua Chiew Hospital, organized a training course for "First Aid and Resuscitation" for employees to understand more about the first aid principles.
- "8<sup>th</sup> MBK Karaoke Fun" activity to strengthen the relationship among employees and encourage them to express themselves in a creative way.
- Launching the "Development of M.B.K. Public Company Limited's Information System" project by allowing Oracle Corporation (Thailand) Co., Ltd. and Bara Advance Infor Tech Co., Ltd. to develop the system to become more modern, efficient and able to handle the future business expansion.
- The Company organized 'MBK Birthday Party' for executive staffs and employees whose birthdays fall on each month.
- The Company set up a budget for training sessions for all levels of employees.
- The Company provides medical expenses for employees, spouses and children.
- Providing training courses in various topics to develop the knowledge, ability and attitudes of employees in all levels:

- MBK's Service Standard
- Basic Knowledge of Energy Management
- Knowledge Management
- Competency-based Management
- Basic First Aid
- How to Prevent and Distinguish Fire
- Traffic Control Volunteers
- MS Office Program Training Courses

**There were also additional trainings for employees in executive levels:**

- Leadership
- Rope Course for Executive Staff Development
- Good Corporate Governance Evaluation Criteria
- BSC: Strategy for Management
- Connected transactions and asset acquisition and sale transactions
- Giving scholarships to employees in bachelor and master degree level every year to promote employees' professional progress.
- Setting up the Occupational Health and Safety at Work Environment committee by selecting employees' representatives to be responsible for the Company's occupational health and safety at work environment.
- Setting up the committee for fringe benefits in the workplace by selecting employees' representatives to be responsible for the Company's fringe benefits.
- Setting up a budget for employees' activity club that allow them to spend time together and strengthen their relationship.
- Setting up various clubs such as
  1. *Football Club* to promote exercise among employees and creating a bonding among employees in the company and the company's associates that could produce positive effects towards working performance.
  2. *Ta-Kraw Club* to promote exercise among employees and allow them to work as a team that would lead to creating a bonding among employees in the company and the company's associates.
  3. *Health Club* to encourage employees to make use of their free time by exercising for health and for the better working performance.
  4. *Fulfill Club* to encourage employees to make use of their free time by planting good values and attitudes in sharing and giving to the underprivileged.
  5. *Book Club* to encourage employees to make use of their free time by learning from reading books, contemplating more ideas, developing their brains and helping them become more focus and have a better memory.
  6. *Photo Club* which is the center of employees who love taking pictures and travelling to get together and share their knowledge and experience and develop their photo-taking skill.
  7. *Music Club* which is the center of employees who are interested in music to get together and share their knowledge in music which will also allow them to get to know one another better.
  8. *We Love Movie Club* is the center of employees who love watching movies to get together and share their knowledge in movie which in turn will strengthen the relationship among employees within the organization

#### **4. INFORMATION DISCLOSURE AND TRANSPARENCY**

The Company places strong emphasis on disclosure of its information. In this connection, the Company has adopted a policy on equitable disclosure of a policy on equitable disclosure of key information both financial and non-financial, to shareholders and stakeholders in a complete, timely and reliable manner, in both Thai and English, through various channels as follows:

4.1 Through annual reports and the Company's website (<http://www.mbk-center.co.th>) The disclosed information covers all areas in line with the practice guidelines given by the Stock Exchange of Thailand for directors. The information includes, among others, the following:

1. Financial statements, notes to the financial statements, and financial statement analysis as well as the report on the responsibility of the Board of Directors towards the financial report together the report of the auditor in the annual report.
2. Report of the Audit Committee.
3. Related party transactions.
4. Policy and report on corporate governance.
5. Composition of the Board of Directors, their profiles showing experiences which are of benefit to the Company's business performance, as well as the role, duties and responsibilities of the Board of Directors and committees on various specific areas, in addition to details on the meeting attendance of members of each committee.
6. Policy on remuneration for directors and senior executives, both in cash and other fringe benefits, as well as information about compensation for directors, members of various committees, and senior executives, (Notes: As regards directors and members of various committees, the Company will disclose details about the compensation of each person.).
7. Shareholdings of directors and senior executives.
8. Organizational structures of the Company and its subsidiaries.
9. Vision and mission statements.
10. Internal control and risk management.

4.2 Website of the Office of the Securities and Exchange Commission (SEC). In full compliance with the requirements imposed by the Office of the Securities and Exchange Commission (SEC), the Company has disclosed all the information and various developments. The information is disclosed to members of the general public through SEC's website such as Annual Report, Report of 56-1, Financial Statement. This includes, among others, related party transactions and details about company share holdings of the directors.

4.3 The Company has established an investor relations unit responsible for disclosing information to shareholders, investors, and stock analysts through its website ([www.mbk-center.co.th](http://www.mbk-center.co.th)) under the tab entitled Investor Relations. The available information includes the information sent to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission, information about the Company's shareholders, analyses, as well as its quarterly investor magazine entitled "MBK Today" which contains information such as the Company's quarterly performance, share price movements, businesses of MBK Group's member companies and the Company's activities in the past quarter. The information on the website is regularly updated. The objective is to enable investors and interested members of the general public to have efficient and equitable access to the information.

Interested person can contact of the Company's investor relations unit at

Mr. Sakchai Suthipipat

444, 8<sup>th</sup> Floor, MBK Center Building, Phayathai Road, Wang Mai, Pathumwan, Bangkok 10330

Telephone number : 0-2620-7120

Fax number : 0-2620-7000

E-mail : [sakchais@mbk-center.co.th](mailto:sakchais@mbk-center.co.th)

Homepage : <http://www.mbk-center.co.th>

## FILING COMPLAINTS AND REQUESTING FOR INFORMATION

In conduct its business affairs, the Company has adopted a policy which takes into account the satisfaction of all stakeholders. They can file complains, make suggestions, or request for information as well as sharing news, leads, and clues or giving information about the Company through its various channels such as web-based Intranet, through its various channels, both internal and external, such as web board, Internet, television or written

The related contact details are as follows:

1. Call center phone number : 0-2620-9111
2. Website : <http://www.mbk-center.co.th>
3. Email address of the investor relations unit : [sakchais@mbk-center.co.th](mailto:sakchais@mbk-center.co.th)
4. Complaint boxes :
  - A compliant box is placed in the office near the public relations department.
  - Complaint boxes are placed on all floors of MBK Center.

The Company has set up procedures in dealing with complaints from all groups of stakeholders. As part of its policy, it will keep all information about its customers and stakeholders confidential. The information includes complaints, suggestions, information requests, news, leads or clues about the Company. The Internal Audit is required to witness the opening of all the complaint boxes. The departments concerned will be requested to find solutions or make adjustments. In return, the Company will notify.

## 5. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

To manage the Company efficiently, the Board of Directors must consist of individuals with knowledge, expertise and work experience in different fields of endeavor. Importantly, they must be able to dedicate themselves fully to their work and act at all times in the best interest of the Company.

### 5.1 COMPOSITION OF THE BOARD OF DIRECTORS

- 1) The total number of members of the Board of Directors must be in line with the number specified by the meeting of shareholders. However, the number of the directors must be at least five.
- 2) The number of independent directors must account for at least one-third of the total members of the Board of Directors.
- 3) All directors must have proper qualifications and possess none of the characteristics prohibited under the Public Company Limited Act.
- 4) The appointment of directors must be transparent and clear. They must be appointed at the meeting of the shareholders or by the Board of Directors in case the director post becomes vacant before the end of the tenure.

### 5.2 INDEPENDENCE OF THE BOARD OF DIRECTORS

The independent directors must possess qualifications as specified by the Company. The qualifications are in line with those prescribed in the notifications issued by the Office of the Securities and Exchange Commission. The related details are given on Page 069 under the subject entitled 'Management Structure'.

During the 2011/2012 financial year, the Company had five independent directors, accounting for 45.45% of the Board of Directors. Their names were as follows:

- 1) Professor Paichitr Rojanavanich,
- 2) Ms. Prakong Lelawongs,
- 3) Mr. Pracha Jaidee,
- 4) First Lieutenant Chatrachai Bunya-Ananta,
- 5) Ms. Panit Pulsirivong.

### **5.3 EXECUTIVE DIRECTORS**

Executive directors are those directors who participate in the management of the business, in line with the Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 Re: Application for and Approval of the Offer for Sale of Newly Issued Shares. According to the Notification, “Executive director” means any director who holds an executive position, or any director who is in charge of any actions deemed to be taken by executive, and shall include any authorized director except where it can be demonstrated that such authorized director signs on transactions which have been approved by the board of directors and jointly with other directors. During the 2011/2012 financial year, the Company had 1 executive director, accounting for 9.09% of the Board whose name was Mr. Suvait Theeravachirakul.

### **5.4 DIRECTORS AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY**

The directors who are authorized to sign on behalf of the Company and whose names are specified in the Company’s Articles of Association include the following:

1. Mr. Suvait Theeravachirakul,
2. Mr. Hatchapong Phokai,
3. Mr. Atipon Tantivit.

In signing on behalf of the Company, any two of these three directors jointly sign with the Company’s seal affixed.

### **5.5 RESPONSIBILITIES OF DIRECTORS**

In considering the holding of directorships of its members, the board of directors takes into account the appropriate arrangements that will result in the highest efficiency possible for the Company. As well, the arrangements must add value the all groups of the stakeholders.

### **5.6 COMMITTEES ON SPECIFIC AREAS**

The Board of Directors may appoint committees to perform some of its duties on specific areas. These committees assist the Board in carrying out some of its duties, conducting detailed studies, and checking things as deemed necessary and appropriate. These committees consist of the following:

- 5.6.1 The Executive Committee
- 5.6.2 The Audit Committee
- 5.6.3 The Nomination and Remuneration Committee
- 5.6.4 The Other Committees

The characteristics of the committees must be in compliance with the requirements stipulated by the Stock Exchange of Thailand. As well, the Board of Directors has clearly specified the scope of responsibilities of each committee. It also requires that the committees present their respective report at each meeting of the Board of Directors.

### **5.7 HOLDING OF DIRECTORSHIPS**

The Board of Directors has considered the appropriateness of time allocation in carrying out the responsibilities of each director who is required to assume positions in various subsidiaries. The objective is to achieve the maximum efficiency possible in ensuring that each subsidiary adopts policies and conducts its business affairs in alignment with the parent company and that its business is beneficial and adds value to all groups of stakeholders. The fact that the directors assume positions in the subsidiaries also enhances the good relationships among the members of MBK Group. As a result, some directors may hold directorships in more than five subsidiaries.

### **5.8 SEGREGATION OF DUTIES BETWEEN THE BOARD OF DIRECTORS AND THE MANAGEMENT**

The Company clearly defines and segregates the authority between the Board of Directors and the management at various levels. In addition, the Chairman of the Board of Directors and the Company’s President must not be the same person. As well, the Company clearly segregates the authority and duties of the Chairman and the President. The objective is to strike a proper balance in managing the Company’s business. The system in



segregating the roles, duties and responsibilities between the Board of Directors and the management is in line with the segregation principle that is based on the corporate governance policy. This includes systematic delegation of decision-making authority. The management is independent in making decisions and managing the business within the limits of the delegated authority. In this connection, the Company has prepared a handbook on the delegation of authority. It gives details about the roles and authority of the management and serves as its practice guidelines. The delegation of authority handbook will be reviewed as deemed appropriate for the conduct of the Company's business affairs, taking into account the prevailing situation. Moreover, the Board of Directors closely monitors the performance of the management.

## 5.9 TRAINING AND DEVELOPMENT OF DIRECTORS

The Company regularly pays attention to the training and development of the directors. All the newly appointed directors will be required to attend the orientation session which will provide them with adequate information about the Company before they start carrying out their responsibilities. The information includes the Company's vision, missions, strategies, goals, Memorandum of Association, Articles of Association, roles and responsibilities of the Board of Directors, policies on good corporate governance, code of business ethics, code of conduct for directors, information about the business of the related companies, as well as the related rules and regulations. All the directors will be regularly provided with training and additional knowledge. In particular, they will be required to participate in training courses related to the performance of their responsibilities as director. These courses are organized by the Thai Institute of Directors Association (IOD), the Stock Exchange of Thailand, Securities and Exchange Commission. The Company will regularly inform the directors of the details about these courses in advance. The training will enable the directors to carry out their responsibilities and look after the Company's business affairs in an efficient manner. The directors who have participated in the training courses organized by the Thai Institute of Directors Association (IOD) include the following:

NAME OF DIRECTORS		NAME OF TRAINING COURSE FROM THE THAI INSTITUTE OF DIRECTORS
1. Mr. Banterng	Tantivit	■ Director Accreditation Program (DAP) Course
2. Mr. Suphadej	Poonpipat	■ Director Accreditation Program (DAP) Course
3. Professor Paichitr	Rojanavanich	■ Director Accreditation Program (DAP) Course ■ Directors Certification Program (DCP) Course ■ Audit Committee Program (ACP) Course
4. Ms. Prakong	Lelawongs	■ Director Accreditation Program (DAP) Course ■ Directors Certification Program (DCP) Course
5. Mr. Pracha	Jaidee	■ Director Accreditation Program (DAP) Course ■ Audit Committee Program (ACP) Course
6. First Lieutenant Chatrachai	Bunya-Ananta	■ Director Accreditation Program (DAP) Course ■ Directors Certification Program (DCP) Course
7. Ms. Panit	Pulsirivong	■ Director Accreditation Program (DAP) Course ■ Directors Certification Program (DCP) Course ■ Audit Committee Program (ACP) Course
8. Mr. Piyaphong	Artmangkorn	■ Director Accreditation Program (DAP) Course
9. Mr. Suvait	Theeravachiraku	■ Directors Certification Program (DCP) Course ■ Audit Committee Program (ACP) Course
10. Mr. Hatchapong	Phokai	■ Director Accreditation Program (DAP) Course
11. Mr. Atipon	Tantivit	■ Directors Certification Program (DCP) Course

## **5.10 LEADERSHIP AND VISION**

The Company's Board of Directors has established clear vision and mission statements as well as business directions, policies, strategies and targets. They serve as guidelines for the management in formulating business plans and budgets as well as future business expansion plans in order to enable the Company to achieve sustainable growth and stability.

The vision of MBK Public Company Limited is "The leading company managed by professionals with continuous and stable growth by investing in steady return generated businesses with strong determination in producing wealth, reliability and trust for all related parties, in compliance with principles of Good Corporate Governance".

### **5.11 COMPANY SECRETARY**

The related details are given on Page 069 under the subject entitled "Management Structure"

### **5.12 THE COMPANY'S BOARD OF DIRECTORS HAS FORMULATED A SUCCESSION PLAN.**

The objectives are to ensure availability of qualified people for positions at the level of department head and above and to support the Company's business expansion. In implementing the plan, the efficiency and potential of executives will be assessed. As well, they will be required to participate in appropriate training and development activities which are aimed at enhancing their skills and knowledge. Their professional development will be closely monitored.

### **5.13 REMUNERATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVES MANAGEMENT**

The remuneration of the Board of Directors is paid in the form of the meeting allowances, director allowances and gratuity. The directors who also serve as members of other committees such as the Audit Committee and the Executive Committee will receive additional payments as deemed appropriate and in line with the resolution adopted at the shareholders' meeting.

The payments of remuneration for senior executives are made in the form of monthly salaries, bonuses or other fringe benefits. The remuneration is based on the Company's performance as well as the performance of the executives concerned, taking into account the standard benchmarks in the same industry. The Company is required to disclose its remuneration policy and the remuneration of directors and senior executives in the annual report, in compliance with the notification issued by the Securities and Exchange Commission.

The remuneration of directors and senior executives for 2011/2012 is disclosed on Page 069 under the subject entitled "Management".

### **5.14 MEETINGS OF THE BOARD OF DIRECTORS**

The Company's various committees including the Board of Directors, the Executive Committee, and the Audit Committee plan their meeting schedules one year in advance. They are required to hold their meeting at least once a month. They may organize additional meetings as deemed appropriate, to consider special agenda items. The purpose is to acknowledge and monitor the Company's performance and business operations. The Company will send the notice of the meeting together with the agenda and supporting documents to each director before the meeting date so that the directors will have adequate time to read through the documents. At the meetings, the directors can give their opinions openly and independently. The minutes of the meetings will be taken and made available for the parties concerned for future reference. As regards the Compensation and Nomination Committee, their meeting will be held when the Company has to nominate directorships or when the President's performance has to be evaluated. For the 2011/2012 financial year, the various committees regularly held their meetings within the scope of their prescribed duties.

## MEETING ATTENDANCES OF THE MEMBERS OF THE COMPANY'S CURRENT COMMITTEES IN THE 2011/2012 FINANCIAL YEAR

MEETING ATTENDANCES OF THE MEMBERS (ATTENDANCES/TOTAL MEETINGS)					
NAME LIST		THE BOARD OF DIRECTORS (6 MEETINGS)	THE EXECUTIVE COMMITTEE (6 MEETINGS)	THE AUDIT COMMITTEE (8 MEETINGS)	THE COMPEN- SATION AND NOMINATION COMMITTEE (1 MEETING)
1. Mr. Banterng	Tantivit	6/6	6/6	-	-
2. Mr. Suphadej	Poonplipat	6/6	6/6	-	1/1
3. Professor Paichitr	Rojanavanich	6/6	-	8/8	-
4. Ms. Prakong	Lelawongs	6/6	-	8/8	-
5. Mr. Pracha	Jaidee	6/6	-	8/8	-
6. First Lieutenant	Chatrachai				
	Bunya-Ananta	6/6	-	-	1/1
7. Ms. Panit	Pulsirivong	4/6	-	-	1/1
8. Mr. Piyaphong	Artmangkorn	6/6	6/6	-	-
9. Mr. Suvait	Theeravachirakul	6/6	6/6	-	-
10. Mr. Hatchapong	Phokai	6/6	-	-	-
11. Mr. Atipon	Tantivit	5/6	-	-	-

**Note** The Board of Directors at present:

- The Executive Committee amount of 4 persons such as the name list 1, 2, 8 and 9
- The Audit Committee amount of 3 persons such as the name list 3, 4 and 5
- The Compensation and Nomination Committee amount of 3 persons such as the name list 2, 6 and 7

### 5.15 SELF APPRAISAL OF THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE

Since 2004, the Company has made arrangements for annual performance appraisal of the Board of Directors and the Audit Committee. The Company prepared and improved forms for performance appraisal of the Board of Directors and the Audit Committee to be clearly evident and properly in line with the guidelines provided by the Stock Exchange of Thailand which has been regulated. The purpose was to reflect the efficiency of their performance and compliance with the good corporate governance principles. As regards the responses to the self appraisal questionnaire for each committee, each member of the committees was first required to answer the questions. Their responses would then be summarized. The criterions of the appraisal are calculated into percentage of total score of each item as follows:

- Above 90% = A (Excellent)
- Above 80% = B (Very good)
- Above 70% = C (Good)
- Above 60% = D (Satisfactory)
- Below 60% = F (Need improvement)

In the 2011/2012 financial year, the results of the performance appraisal were as follows:

#### 1) OVERALL PERFORMANCE OF THE BOARD OF DIRECTORS

The Board of Directors received a score of 92.82% which was at the excellent level. The results showed better performances in all areas. Moreover, the directors had additional comments in each area as follows:

■ **Strategy Setting and Policy Making :**

The Board of Directors agreed that strategy setting and policy making was in the excellent level. However, apart from a monthly board meeting there should be a separate annual meeting concerning the vision and strategy that will set a clear business guideline for the managing team to adopt and apply.

■ **Risk Management and Internal Control :**

The Board of Directors agreed that risk management and internal control was in the excellent level. However the Company should constantly bring the issues of risk management to the attention of the Board of Directors and Managing Directors in every 3 or 6 months, for example.

■ **Board of Directors Meeting :**

The Board of Directors agreed that the overall Board of Directors meeting was in the excellent level. However, several meeting agendas still require additional information for the decision making process of the directors.

**2) AUDIT COMMITTEE'S PERFORMANCE** was overall in the excellent level. The Audit Committee had performed their tasks according to the guideline of Stock Exchange of Thailand so that the Company could maintain and improve its good corporate governance and credibility of its financial reports, internal audit system, risk management system, law and regulation abidance and the prevention of corruption.

■ **Composition of the Audit Committee:** The Audit Committee consists independent directors whose knowledge and experience is suitable for the duty of an audit committee. There are also audit committees who have knowledge and experience in financial statements. The Audit Committee has abided by the written charter and reports its performance to the Board of Directors in a constant basis as well as reporting its activities done during the year to the shareholders in the annual report.

■ **Meetings:** There has been a constant meeting at least once a month and special meetings on occasion. In the year 2011/2012 there was a total of 8 meetings in which every director attended and received the meeting documents in advance. The Audit Committee who was a part of the interested party in any agenda would not express opinions on such agenda. Moreover, a meeting between the Audit Committee and internal auditors, without the presence of the management division, was also arranged while there was also a separate meeting between the Audit Committee and the management division.

■ **The Audit of Internal Control System:** The Audit Committee was done with the internal audit department and auditors to evaluate the problems in the internal control and review the performance of the internal audit department and auditors in order to ensure that the performance of the Company was efficient there was also an evaluation of the effectiveness of the internal control system, the risk management system, data processing and safety in the computer system, the compliance of laws and regulations, the use of company assets and the follow-up system.

■ **The Audit of Financial Statement:** The Audit Committee evaluated the accuracy of the financial statement, the compliance of the accounting standard, the important changes in the financial statement as well as the items with an effect to the financial statement. The Audit Committee also reviewed the disclosure of the Company's information in case there was a related transaction or a transaction with conflict of interest to ensure that everything was correct and in order. There was also an audit on the letter expressing the responsibility of the management team on the financial statement. The Audit Committee also worked with the management team and auditors in reviewing significant issues that may have an effect on the financial statement.

■ **The Relationship among the management team, auditors and internal audit department:** The Audit Committee examined the evaluation of the management team on the independence of auditors and the internal audit department. In selecting an auditor there was a review on the performance quality of the auditor and the plan of the auditors and internal audit department. The Audit Committee also reviewed the approvals on appointments, transferring or terminating the contract with the head of the internal audit department as

well as evaluated the performance and remuneration of the personnel within the internal audit department, the workforce and the budget of the department, the charter of the department, the performance by the standard of internal auditing, the result of the performance. The Audit Committee also followed up on important issues found by the audit of the internal audit department and the Control Self-Assessment (CSA) of the internal auditors and the corporation between auditors and the internal audit department.

■ **Information and training:** The Audit Committee was given adequate information and trainings for fulfilling their duties efficiently. They were also constantly and systematically informed of news and information.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

### **INTERNAL CONTROL**

The Board of Directors was aware that the internal control system was an important part in creating confidence for the management team in terms of reducing business risks and helping the business to run efficiently by suitably managing the resources to achieve the target goal.

The Board of Directors allowed the Audit Committee to supervise the internal control system, the risk management system, the corporate governance system, and the compliance of related laws, orders and regulations, to prevent the conflict of interest, related transactions, to control the performance of associated companies, the abuse of the assets of the company and associated companies, and to protect the property of the company from being lost or abused and the rights infringement. The Company set up an auditing mechanism and balance by including the internal audit department who was independent in performing auditing work, evaluating performance and sufficiency of the internal control system, the risk management system and the corporate governance system in the performances of all units in the companies and its affiliates in order to allow the Company's performances in every aspect become most effective and efficient.

The internal audit department performed its duties according to the auditing standard referenced in the Committee of Sponsoring Organizations of the Tread way Commission: COSO. They were able to perform the duties assigned by the Audit Committee efficiently and reported the audit results to the Audit Committee to issue a command or offer additional opinions. The Audit Committee will report the auditing result to the Board of Directors meeting every month. Such report will be used as a reference in the operation and problem solving of the Company and its subsidiaries. There was also a system to follow up on the operation of the Company efficiently. The Board of Directors also evaluated the sufficiency of the internal control system at least once a year. The internal audit department has divided its responsibilities to cover its assignment into 4 aspects:

- 1) Management Audit.
- 2) Rules Compliance Audit.
- 3) Operation Audit.
- 4) Computer System Audit.

In the year 2011/2012 the meeting of the Board of Directors and Audit Committee allowed an evaluation of the sufficiency of the internal audit system of the company to be in line with the guideline from the Stock Exchange of Thailand. There was an evaluation in different aspects of the internal control system including the control environment, risk management, the control of the management's performance, IT and communication system, follow-up and evaluation. There was also a control to evaluate that whether or not there was enough and appropriate internal control for the Company's business. The Board of Directors and the Audit Committee meeting agreed that there was enough and appropriate internal control on the above aspects.

In the year 2011/2012 the Company did not find any significant problem in the Company's internal control system:



- *Control Environment* The Company set up a good internal control environment by creating a clear and appropriate organization's structure and chain of command. The Company also set the business goal and key performance indicators to evaluate the efficiency of the operation. There was to be a manual on the use of authority and written manuals concerning the operation of every system so that they become a guideline in performing in line with the Company's objectives. The Company also emphasized the concept of good corporate governance among the executive members and employees by setting up policies concerning good corporate governance, business ethics, and the codes of conducts for directors and employees and supporting training activities for employees to educate them about transparent and just business operation for the benefits of all stakeholders.

- *Risk Management* The Company set up a risk management policy by having the Risk Management Committee supervise the operation of the Company's risk management and ensure that it achieved the goal, cover all the risks in every work process by connecting the organization's objectives and strategies together. The risks could be categorized into the strategic risk, operational risk, financial risk, rules and safety risk. There was a management of risks to remain in the Company's compromising level. There was a report to the Risk Management Committee in every quarter and an annual reevaluation of the risk factors that could affect the organization.

- *Control of the Management's Performance* The Company divided the responsibility of each position clearly and reviewed the manual of the use of authority to be suitable for the current structure and operation of the organization. There was also an evaluation of the performance to ensure that it was according to the rules and regulations in the authority manual and working manuals. This was to guarantee that the operation was efficient and under an appropriate internal control system.

- *IT and Communication System* The Company realized the importance of the IT and Communication System and always supported the improvement of the system to ensure that all information was accurate and up-to-date. An efficient and modern IT system was adopted to guarantee the safety of the information from the process of collecting, processing, storing and following-up. The operation and the use of information in the management work of the executive members and interested parties was complete, accurate and within an appropriate time so that it could be used in the business decision makings. There is also a policy regarding the security in the information technology and the use of information.

In addition the Company assigned its secretary to take care of the preparing of information and meeting documents in advance including providing clear meeting minutes, summary of opinions and decisions of the meeting. An intranet system was also set up to be an internal communication channel so that policies, rules and operation manuals could be distributed to every part of the organization.

- *Follow-up and Evaluation System* The Board of Directors set up an internal control system to cover all aspects including accounting and finance, the operation, compliance of laws and rules, and assets supervision. The internal audit department who was independent was assigned to review and evaluate the internal control system and report directly to the Audit Committee to ensure that the Company's operation was under a sufficient and efficient control system along with having a good corporate governance and a risk management system to maintain the Company's risks at an acceptable level.

## **RISK MANAGEMENT**

MBK Public Company Limited realizes the importance of risk management as an important mechanism and tool to help the organization achieve the target objective and goal. Therefore the Company has set up a risk management policy that focuses on the improvement of the risk management system according to the good corporate governance guideline. There is also a integrated risk management for all parts of the organization which is conducted constantly and systematically. MBK Center also set up the Risk Management Committee (RMC) that has supervised the management of the organization's risks to meet the target and generating a risk management report in every quarter as well as revising risk factors that could affect the organization every year. In the year 2011/2012 the risks that could affect the business of the Company can be divided into 5 aspects:

**1. Strategic Risk** is the risk in important strategies and policies of the Company. It could arise from an appropriate strategy or the operation by the strategy or the inconsistency of the policy, target, strategy, organization's structure, the state of competition, resources, plan implementation and environment. However, the Company has always followed up on important strategies and plans that can affect the Company's strategic goals.

**2. Operational Risk** is the risk that could arise from every operation process. It covers all factors related to the process, tools, IT, and personnel that could affect the operation of the organization. However, the Company has set up a clear operational process and a measure to supervise the work of each unit that could cause a damage on the organization so that the operation can be correct and appropriate.

**3. Financial Risk** is the risk that could arise out of the ineffectiveness of budget, financial problems and risks that could affect the performance and financial status of the organization. The Company has always generated sufficient fund in time to reduce the risks that could affect the Company's investments.

**4. Compliance Risk** is the risk that could arise out of the inability to comply by the related rules and laws. It could be that the rules and laws were not appropriate and become an obstacle to the operation. However, the Company has also considered the compliance by the rules within and outside the organization as well as important laws by supervising and examining the strict compliance by the related rules and laws.

**5. Hazard Risk** is the risk that could affect the life safety of customers, tenants, employees and the organization's property. The hazard could come from both internal and external factors. The Company has set up a policy and safety measure to strictly prevent such risk that could cause damage to the Company.

Regarding the investments in different projects the Risk Management Committee has set up a rule that the request for the approval of the budget exceeding 5 million Baht must have a risk analysis and require an approval from the related directors. The Risk Management Committee must always be informed to prevent any investment risk of the Company.

However, the Company has also managed the risk in the business unit (BU) and strategic business unit (SBU) level and is in the process of improving the operating systems of both BU and SBU to be up to the standard. In addition, in 2011/2012, there was a risk management within the MBK GROUP, which would be executed from January 2012 onwards so that the tracking and controlling of the risks could cover every level.

## CODE OF ETHICS AND CODES OF CONDUCT

The Board of Directors has made available the Code of Ethics and the Codes of Conduct for directors, executives and Company's staff. They serve as guidelines for all directors, executives and staff of the Company and its subsidiaries in carrying out their duties in honest, upright and fair manner. The purpose is to ensure that the Company's conduct of business affairs meets with the established objectives, taking into consideration the responsibility towards all groups of stakeholders including shareholders, customers, trading partners, competitors, creditors, staff, society, communities, as well as the environment. The codes also help enhance the positive corporate image that will bring greater stability to the Company. Adhering to the codes is also in line with the Company's good corporate governance principles.

In 2009/2010, the Board of Directors improved the codes, making them clear and in line with the policy on the good corporate governance, which was also improved. The codes have been announced and the related compliance manuals have been prepared. Having been distributed to the directors, executives and employees of the Company as well as its subsidiaries, the compliance manuals serve as guidelines for performing their responsibilities. Newly recruited employees will be provided with training on basic code of ethics and codes of conduct, ensuring that they have a correct understanding and are able to put them into practice. The Company also regularly and continuously organizes activities aimed at providing all its employees with the knowledge about the codes and inculcating in them the consciousness of the codes.

## CONFLICTS OF INTEREST

The Board of Directors has adopted a policy and various measures that serve as guidelines for dealing with conflicts of interest. The policy and the measures are in compliance with the guidelines given by the Stock Exchange of Thailand. In this connection, all employees of the Company are required to take into consideration the best interest of the Company when they make business decisions. In addressing conflicts of interest, the employees have to consider carefully and adhere to the principles of honesty, integrity and rationality as well as independence within the framework of good ethics. The Board of Directors also ensure that complete information is disclosed, mainly in the best interest of the Company. In considering and deciding on matters which require approval, those with conflicts of interest or those who are involved in the matters under consideration are prohibited from participating in the process. At the meetings of the Board of Directors in the past year, if there was an agenda item in which a director might have a conflict of interest, the director concerned would refrain from giving opinions or voting on the item. In this connection, the Audit Committee is responsible for giving opinions on the related party transactions or any transactions which might involve a conflict of interest, in an appropriate and careful manner and in compliance with the requirements imposed by the Stock Exchange of Thailand. The information about the transactions has to be disclosed in the annual report.

As regards the transactions which might involve a conflict of interest, the Audit Committee will consider such transactions in an appropriate and careful manner and in compliance with the requirements imposed by the Stock Exchange of Thailand before proposing them to the Board of Directors for consideration and approval. The information about the transactions has to be disclosed in the annual report (Forms 56-1 and 56-2).

During the year 2011/2012, there was no event that showed inappropriate behavior or practice involving a conflict of interest.

## SUPERVISION OF USE OF INSIDE INFORMATION

The Company places strong emphasis on the supervision of use of inside information. As a result, it has adopted a policy on good corporate governance. As well, it has established its Code of Ethics and the Codes of Conduct. The directors, executives and staff are prohibited from using inside information for their own benefit by taking advantage of their positions. They are also prohibited from getting involved in either any business that competes with the Company or any other related business. As well, they shall not use inside information in trading the company shares for their own or others' benefit. The related details are as follows:

### SUPERVISION OF USE OF THE COMPANY'S INSIDE INFORMATION

The Board of Directors, executives or staffs who have access to inside information are prohibited from disclosing it to any third party or person who is not involved in the matter. They are also prohibited from using the information for their own benefit.

### CHANGES IN SHAREHOLDINGS

Members of the Board of Directors and executives including their spouses and minor children are required to prepare and disclose reports annually to the Securities and Exchange Commission (SEC) when there are changes in their holdings of shares in MBK Public Company Limited, in compliance with Section 59 of Securities and Exchange Act B.E. 2535.

## TRADING OF COMPANY SHARES

They are prohibited from trading the company shares before the financial statements are disclosed to the public. The Company issues a notification prohibiting the share trading every time before the disclosure schedule.

During the year 2011/2012, there was no event that showed inappropriate behavior's supervision of use of inside information.

The background and designation details of the Board of Directors and the Executive Management as of December 30, 2011

**Note** \* Shareholding in MBK includes MBK's shares held by their spouse and minor child

NAME-SURNAME/ POSITION/AGE (YEARS)	HIGHEST EDUCATION	SHAREHOLDING IN MBK*	RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE						DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD
				NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED	IOD COURSE	YEAR	
3. Professor Paichitr Rojanavanich Independent Director and Chairman of the Audit Committee 83 Year	- MGA, Fiscal Policy, University of Pennsylvania, U.S.A. - Higher Diploma in Accountancy (equivalent with the master's degree) Thammasat University - Bachelor of Law, Thammasat University - College Diploma, National Defence Batch 25, Year 1982, National Defence College	-	-	2	3	-	2007 - Present	- Director	- Royal Orchid Hotel (Thailand) Public Company Limited					
							2007 - Present	- Director	- Thai Royal Orchid Real Estate Company Limited					
							2005 - Present	- Vice Chairman of the Board of Directors and Chairman of the Executive Committee	- Thanachart Bank Public Company Limited					
								- Director and Chairman of the Executive Committee	- Thanachart Insurance Company Limited					
							2003 - Present	- Director and Chairman of the Executive Committee	- Thanachart Life Assurance Company Limited					
							2003 - Present 2006 - Present	- Director	- Siam Piwat Company Limited					
								- Director	- Siam Piwat Holding Company Limited					
							Present	- Vice Chairman of the Board of Directors and Chairman of the Executive Committee	- Patum Rice Mill and Granary Public Company Limited					
							2007 - Present	- Vice Chairman	- Thanachart Capital Public Company Limited					
							2007 - Present	- Chairman of the Executive Committee	- Thanachart Capital Public Company Limited					
							2010 - Present	- Chief Executive Officer	- Thanachart Capital Public Company Limited					
3. Professor Paichitr Rojanavanich Independent Director and Chairman of the Audit Committee 83 Year	-	-	-	2	3	-	Present	- Independent Director and Chairman of the Audit Committee	- MBK	✓	✓	ACP	2006	None
								- Independent Director and Chairman of the Audit Committee	- Muramoto Electron (Thailand) Public Company Limited	✓	✓	DAP	2004	
								- Independent Director and Chairman of the Audit Committee	- G Steel Public Company Limited	✓	✓	DCP	2003	
							1993 - Present 1985 - Present	- Independent Director and Chairman of the Audit Committee - Chairman of the Board of Directors - Chairman of the Board of Directors	- The Far East Law Office (Thailand) Company Limited - Kam Jean Company Limited					

**Note** \* Shareholding in MBK includes MBK' s shares held by their spouse and minor child



NAME-SURNAME/ POSITION/AGE (YEARS)	HIGHEST EDUCATION	SHAREHOLDING IN MBK*  SHARES (%)	RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE						DETAILS OF TRAINING PROGRAM FROM IOD			
				NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	IOD PASSED COURSE	YEAR	ILLEGAL RECORD
4. Ms. Prakong Lelawongs Independent Director and Member of the Audit Committee 81 Year	- Master of Business Administration, Pennsylvania University, U.S.A.	215,500/0.114%	-	1	1	-	2003-Present	- Independent Director and Member of the Audit Committee	- MBK	✓	DCP	2005	None
5. Mr. Pracha Jaidee Independent Director and Member of the Audit Committee 56 Year	- Master of Business Administration, Kasetsart University	-	-	1	2	-	1993-Present	- President	- Alpha Business Center Company Limited	✓	DAP	2004	
							2007-Present	- Independent Director and Member of the Audit Committee	- MBK	✓	ACP	2007	None
							2006-Present	- Director	- Batan Marble Company Limited	✓	DAP	2004	
							2004-Present	- Member of the Audit Committee	- MBK Resort Public Company Limited				
							2000-2007	- Advisor	- Plan Estate Company Limited				
							2004-2007	- Advisor	- MBK Resort Public Company Limited				
6. First Lieutenant Chatrachai Bunya-Ananta Independent Director and Chairman of the Compensation and Nomination Committee 78 Year	- Bachelor of Arts in Economics University of Wales, England - Management Technique Program , Harvard, U.S.A. - College Diploma, National Defence Batch 28, Year 1985/1986, National Defence College	-	-	2	4	-	2006-Present	- Chairman of the Compensation and Nomination Committee	- MBK	✓	DAP	2005	None
							1998-Present	- Independent Director	- MBK	✓	DCP	2005	
							1998-Present	- Director	- The subsidiaries and associates of MBK as shown on page 109-110				
							Present	- Chairman of the Board of Directors	- Royal Orchid Hotel (Thailand) Public Company Limited				
							Present	- Director	- Dusit Thani Public Company Limited				
								- Director	- Italian				
									- Thai Development Public Company Limited				
							1998-2006	- Member of the Audit Committee	- MBK				
7. Ms. Panit Pulsirivong Independent Director and Member of the Compensation and Nomination Committee 63 Year	- Honorary Degree of Director of Philosophy Faculty of Journalism and Mass Communication, Thammasat University	15,954/0.008%	-	4	1	3	2006-Present	- Independent Director and Member of the Compensation and Nomination Committee	- MBK	✓	ACP	2006	None
							Present	- General Manager	- Naew Na Newspaper Company Limited	✓	DCP	2005	
								- Executive Director	- World Express Company Limited	✓	DAP	2004	
								- Managing Director	- Naew Na Network Company Limited	✓	DAP	2004	

**Note** \* Shareholding in MBK includes MBK' s shares held by their spouse and minor child

NAME-SURNAME/ POSITION/AGE (YEARS)	HIGHEST EDUCATION	SHAREHOLDING IN MBK*	RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE						DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD
				NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED	IOD COURSE	YEAR	
8. Mr. Piyaphong Artnangkorn Director 54 Year								- Director	- United Way of Thailand, Thailand, National Council on Social Welfare of Thailand					
								- Sub Committee	- Public Network (Public Governance) by The Committee on Education Check Fraud and Strengthen The Governance Committee of The Senate					
							2008-Present	- Director	- Faculty of Journalism and Mass Communication, Thammasat University					
								- Advisor	- Committee on Social Development and Children, Youth, Women, the Elderly, the Disabled and the Underprivileged Affairs of the Senate, Kingdom of Thailand					
								- Advisor	- Administrative Office Bearers of the National Council on Social Welfare of Thailand					
							1989-2006	- Independent Director and Member of the Audit Committee	- MBK					
							1998-Present	- Director	- MBK					
							2006-Present	- Member of the Executive Committee	- MBK					
							2005-Present	- Executive Vice President, Treasury & Capital Marketings Division	- Thanachart Bank Public Company Limited		✓	DAP	2003	
							2005-Feb. 2009	- Chairman of the Board of Directors and Chairman of the Executive Committee	- Thanachart Securities Public Company Limited					
							2001-2008	- Director	- Thai Royal Orchid Real Estate Company Limited					
							2000-2008	- Director	- Royal Orchid Hotel (Thailand) Public Company Limited					
							2005-2007	- Director and Executive Director	- Thanachart Capital Public Company Limited					

**Note** \* Shareholding in MBK includes MBK' s shares held by their spouse and minor child

NAME-SURNAME/ POSITION/AGE (YEARS)	HIGHEST EDUCATION	SHAREHOLDING IN MBK*	RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE						DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD
				NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED	IOD COURSE	YEAR	
9. Mr. Suwit Theeravachirakul Director and CEO 52 Year	- Master of Business Administration, Wagner College, NY New York, U.S.A.	136,700/0.072%	-	52	6	1	2002-Present 2006-Present 2009-Present Present	- Director and CEO - Member of the Executive Committee - President - Chairman of the Board of Directors and Director	- MBK - MBK - MBK - The subsidiaries and associates of MBK as shown on page 109-110	✓	✓	ACP DCP	2006 2001	None
							2011- Present 2007-Present	- Director - Independent Director and Member of the Audit committee	- Golden Lime Company Limited - IFS Capital (Thailand) Public Company Limited					
							2005-Present	- Independent Director and Member of the Audit Committee	- Thai Rung Union Car Public Company Limited					
							2003-Present	- Member of the Executive Committee	- Patum Rice Mill and Granary Public Company Limited					
							2000-Present	- Director	- Royal Orchid Hotel (Thailand) Public Company Limited					
							1994-Present	- Director	- Vachirachart Consultant Company Limited					
10. Mr. Hachapong Phokai Director 50 Year	- Master of Business Administration, Chulalongkorn University	-	-	7	2	-	2000-Present Present 2000-2007 1999-2004	- Director - Director - Director - Director	- MBK - The subsidiaries and associates of MBK as shown on page 109-110 - NFS Asset Management Company Limited - Thanachart Securities Public Company Limited	✓		DAP	2004	None
11. Mr. Atipon Tantivit Director 34 Year	- Master of Business Administration (Executive) Sasin Graduate Institute of Business Administration, Chulalongkorn University	645,000/0.342%	Mr. Atipon Tantivit is a son of Mr. Banterng Tantivit	9	1	-	Present	- Director - Managing Director - Director - Director - Director - Director - Director - Director	- MBK - B.V.Holding Company Limited - G.M.R.Company Limited - Kata Villages Company Limited - Learnsai Villages Company Limited - Phuket Development Company Limited - A.T. Design and Jewelry Company Limited - Thai Farming Company Limited	✓		DCP	2006	None

**Note** \* Shareholding in MBK includes MBK' s shares held by their spouse and minor child

NAME-SURNAME/ POSITION/AGE (YEARS)	HIGHEST EDUCATION	SHAREHOLDING IN MBK*		RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE						DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD		
		SHARES (%)			NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASSED	IOD COURSE	YEAR				
																	- B.V. Company Limited - S.L.S Holding Company Limited
																	- Director - Director

**EXECUTIVE MANAGEMENT**

## 1. Mr. Suwait

Theeravachirakul  
President and CEO

The details of Mr. Suwait Theeravachirakul was shown on the part of the Board of Directors' background

2. Mr. Pongsak Sabsasen Senior Executive Vice President, Office of President 58 Year	- M.S. Industrial Management, Marywood College Scranton P.A., U.S.A.	-	-	-	2	2	-	2006-Present	- Senior Executive Vice President, Office of President - Director	- MBK - The subsidiaries and associates of MBK as shown on page 109-110 - MBK	✓	DCP	2004	None
3. Mr. Kasemsuk Chongmankhong Senior Executive Vice President, Finance and Administration 52 Year	- Master of Accounting, Thammasat University	-	-	-	48	3	1	2003-Present	- Senior Executive Vice President, Finance and Administration - Director	- MBK - The subsidiaries and associates of MBK as shown on page 109-110	✓	DCP	2004	None
4. Mr. Sakchai Kengkijkosol Senior Executive Vice President, Operation 56 Year	- Master of Business Administration, Chulalongkorn University	-	-	-	14	1	-	2006-Present	- Senior Executive Vice President, Operation - Director	- MBK - The subsidiaries and associates of MBK as shown on page 109-110	✓	DCP	2009	None
5. Ms. Yupapun Paritranun Senior Executive Vice President, Internal Audit 47 Year	- Master of Science, Chulalongkorn University - Certified Internal Auditor (CIA), The Institute of Internal Auditors, U.S.A.	11,500/0.006%	-	-	1	1	-	Present	- Senior Executive Vice President, Internal Audit and Acting Vice President Management Audit Department - Executive Vice President, Internal Audit - Acting Vice President, Management Audit Department	- MBK - The subsidiaries and associates of MBK as shown on page 109-110 - K K World Real Estate Company Limited	✓	DCP	2005	None

**Note** \* Shareholding in MBK includes MBK's shares held by their spouse and minor child

NAME-SURNAME/ POSITION/AGE (YEARS)	HIGHEST EDUCATION	SHAREHOLDING IN MBK*		RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE							DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD
		SHARES (%)			NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	IOD PASSED COURSE	YEAR			
6. Mr. Somborn Wongrasamee Executive Vice President, Business Development 48 Year	- Master of Engineering Oklahoma State University, U.S.A. - Master of Business Administration, NIDA	-	-	24	3	-	2004-Present	- Director	- The subsidiaries and associates of MBK as shown on page 109-110				None			
							2000-2003	- Acting Vice President, Operational Audit Department	- MBK							
							2007-Present	- Executive Vice President, Business Development	- MBK							
							Present	- Director	- The subsidiaries and associates of MBK as shown on page 109-110							
7. Mr. Winai Srichobtham Executive Vice President, Marketing 50 Year	- Bachelor's Degree of Science, Department of Physics, Faculty of Science, Srinakharinwirot University	1,000/0.001%	-	7	1	-	Present	- Executive Vice President, Marketing	- MBK		✓	DCP 2009 126	None			
							Present	- Director	- The subsidiaries and associates of MBK as shown on page 109-110							
							1999-Present	- Director	- CW Mart Company Limited							
							1998-Present	- Director	- CW Computer Company Limited							
8. Mr. Apichat Kamoltham Executive Vice President Legal Division 51 Year	- Master of Law Ramkhamhaeng University - Barrister at Law, Thai Bar Association	-	-	30	1	-	Present	- Executive Vice President Legal	- MBK		✓	DCP 2011	None			
								- Acting Vice President, Case & Juristic Person Department	- MBK							
							2007-2010	- Vice President Case & Juristic Person Department	- MBK							
							2005-2007	- Vice President of Legal & Debt Collection Department	- Navaleasing Public Company Limited							

**Note** \* Shareholding in MBK includes MBK' s shares held by their spouse and minor child

# DIRECTORS AND THE EXECUTIVE MANAGEMENT ENTITLED IN MBK'S SUBSIDIARIES AND ASSOCIATES AS OF DECEMBER 31, 2011

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT		PARADISE PARK COMPANY LIMITED	PARADISE RETAILS COMPANY LIMITED	SIAM PIWAT COMPANY LIMITED	SIAM PIWAT HOLDING COMPANY LIMITED	SIAM DELICE COMPANY LIMITED	GLAS HAUS BUILDING COMPANY LIMITED	GLAS HAUS RATCHADA COMPANY LIMITED	MBK SMART FORCE COMPANY LIMITED	THE NINE CENTER COMPANY LIMITED	MBK CENTER COMPANY LIMITED	MBK BANGYAI COMPANY LIMITED	MBK SQUARE COMPANY LIMITED	MBK BUSINESS COMPANY LIMITED	MBK ENTERTAINMENT COMPANY LIMITED	ABSOLUTE TRAVEL COMPANY LIMITED	MBK LEISURE COMPANY LIMITED	MBK HOSPITALITY MANAGEMENT COMPANY LIMITED	PAEMALA SPA COMPANY LIMITED	MBK FOOD ISLAND COMPANY LIMITED	TANTARA GALLERY COMPANY LIMITED	MBK HOTELS AND RESORTS COMPANY LIMITED	SUPSINTHANEE COMPANY LIMITED	ROYAL ORCHID HOTEL (THAILAND) PUBLIC COMPANY LIMITED	THAI ROYAL ORCHID COMPANY LIMITED	SHERATON ROYAL ORCHID COMPANY LIMITED	MBK CAPITAL COMPANY LIMITED	MBK ASSET COMPANY LIMITED	LANTA LAND DEVELOPMENT COMPANY LIMITED	RIVERDALE GOLF AND COUNTRY CLUB COMPANY LIMITED	MBK RESORT PUBLIC COMPANY LIMITED
COMPANIES																															
<b>THE BOARD OF DIRECTORS</b>																															
Mr. Banerng Tantivit				/	/																										x
Mr. Suphadej Poonpipat				/	/																				/						/
Professor Paichitr Rojanavanich																															
Ms. Prakong Lelawongs																															
Mr. Pracha Jaidee																															///
First Lieutenant Chatrachai Bunya-Ananta																									x	/	/				
Ms. Panit Pulsirivong																															
Mr. Piyaphong Artnangkorn																															
Mr. Suwait Theeravachirakul	x	x	/	/	/	/	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	/	/	/	/	x	x	x	/
Mr. Hachapong Phokai																															/
Mr. Atipon Tantivit																															
<b>EXECUTIVE MANAGEMENT</b>																															
Mr. Suwait Theeravachirakul	x	x	/	/	/	/	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	/	/	/	/	x	x	x	/
Mr. Pongsak Sabsasen																															/
Mr. Kasemsuk Chongmankhong	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Mr. Sakchai Kengkijkosol	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Ms. Yupapun Paritranun																															
Mr. Somboon Wongrassamee										/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Mr. Winai Srichobtham							/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Mr. Apichat Kamoltham							/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/

**Note**    x = Chairman    / = Director    // = Chairman of the Audit Committee    /// = Member of the Audit Committee    ■ = Subsidiaries    ■ = Associates



**DIRECTORS AND THE EXECUTIVE MANAGEMENT ENTITLED IN MBK'S SUBSIDIARIES AND ASSOCIATES AS OF DECEMBER 31, 2011 (Continued)**

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT	COMPANIES																			
	NASSET PROPERTY FUND I	PHUKET LOCH PALM GOLF CLUB COMPANY LIMITED	PLAN ESTATE COMPANY LIMITED	CRYSTAL LAKE PROPERTIES COMPANY LIMITED	C L P MANAGEMENT COMPANY LIMITED	PLAN APPRAISAL COMPANY LIMITED	LAN BANGNA COMPANY LIMITED	KATHU LAND COMPANY LIMITED	MBK RESIDENCE COMPANY LIMITED	PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED	PRG GRANARY COMPANY LIMITED	RATCHASIRIMA RICE COMPANY LIMITED	SIMA PAC COMPANY LIMITED	INNOFOOD (THAILAND) COMPANY LIMITED	MBK GUARANTEE COMPANY LIMITED	PRIMACY ELEGANCE INVESTMENTS LIMITED	MBK PREMIUM COMPANY LIMITED	T LEASING COMPANY LIMITED	MAX ASSET MANAGEMENT COMPANY LIMITED	APPLE AUTO AUCTION (THAILAND) COMPANY LIMITED
<b>THE BOARD OF DIRECTORS</b>	Mr. Banterng Tantivit		x																	
	Mr. Suphadej Poonpipat		/																	
	Professor Paichitr Rojanavanich																			
	Ms. Prakong Lelawongs																			
	Mr. Pracha Jaidee																			
	First Lieutenant Chatrachai Bunya-Ananta																			
	Ms. Panit Pulisrivong																			
	Mr. Piyaphong Artmangkorn																			
	Mr. Suvait Theeravachirakul	x	x	/	x	x	x	x	x	/	/	/	/	/	x	/	x	x	x	x
	Mr. Hatchapong Phokai		/	/	/	/	/	/	/											
<b>EXECUTIVE MANAGEMENT</b>	Mr. Atipon Tantivit																			
	Mr. Suvait Theeravachirakul	x	x	/	x	x	x	x	x	/	/	/	/	/	x	/	x	x	x	x
	Mr. Pongsak Sabsasen	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
	Mr. Kasensuk Chongmankhong	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
	Mr. Sakchai Kengkiksol														/	/	/	/	/	/
	Ms. Yupapun Paritranun																/	/	/	/
	Mr. Somboon Wongrassamee	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
	Mr. Winai Srichobtham																			
	Mr. Apichat Kamoltham	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
	MA BOONKHONG SIRICHAI ENTERPRISE COMPANY LIMITED																			
	MBK INSURANCE BROKER COMPANY LIMITED																			
	MBK LIFE ASSURANCE BROKER COMPANY LIMITED																			
	MBK TRAINING CENTER COMPANY LIMITED																			
	PUN POB PAET COMPANY LIMITED																			
	MBK ADVANCED COMPANY LIMITED																			
	X-GEN PREMIUM COMPANY LIMITED																			
	MBK ARCADE COMPANY LIMITED																			
	THE OLYMPIC CLUB COMPANY LIMITED																			
	MA BOONKHONG SIRICHAI ENTERPRISE COMPANY LIMITED																			

**Note** x = Chairman / = Director // = Chairman of the Audit Committee /// = Member of the Audit Committee ■ = Subsidiaries ■ = Associates

# CONNECTED TRANSACTION

In the past year, there were a number of connected transactions between MBK Group, and its connected persons which are already given the details of these transactions in the Financial Statements as of December 31, 2011 Notes 044 Page 214 The additional information of connected transactions are as follows:

## I. THE ENTERING INTO THE CUSTODIAN AGREEMENT BETWEEN T LEASING COMPANY LIMITED (“TLS”) (DEPOSITOR) AND THANACHART BANK PUBLIC COMPANY LIMITED (“TBANK”) (CUSTODIAN)

1. Transaction date August 10, 2011
2. Details of involved parties

(Information as of date July 31, 2011)

List of contract parties between MBK or its subsidiaries with the connected persons	Relationship		Portion of share (% of the paid-up capital)	List of directors who are connected persons
	Status to MBK	Shareholders		
1. TLS	A direct subsidiary	MBK	99.99%	1. Mr. Banterng Tantivit
2. TBANK	A direct subsidiary of TCAP which is a major shareholder of MBK	TCAP	50.90%	2. Mr. Suphadej Poonpipat 3. Mr. Piyaphon Artmangkorn
3. TCAP	A major shareholder of MBK	-	-	

### 3. Assets Custody Detail

- 3.1 Assets under Custody Motorcycle hire purchase agreements and related agreements
- 3.2 Storage Location Custodian Room in TBANK, Glas Haus Building, Sukhumvit
- 3.3 Custodial Time One year, starting from May 1, 2011 - May 1, 2012
- 3.4 Custodial Fee
  - Monthly custodial fee THB 25,000 (excluding vat)
  - Yearly custodial fee THB 321,000 (including vat)

### 4. Transaction value THB 321,000.00 (including vat)

### 5. Necessity and reasonableness of the transaction

It is reasonable for T Leasing Company Limited deposited their hire purchase agreements at the Custodian Room of Thanachart Bank Public Company Limited (“TBANK”) as the Custodian Room of TBANK is a secured location. Moreover, the custodial fee charged to TLS by TBANK was appropriate, compared to other custodians.

## 2. THE INVESTMENT IN ORDINARY SHARES OF LAM LUK KA GOLF AND COUNTRY CLUB COMPANY LIMITED (“LLKGC”) BETWEEN MBK PUBLIC COMPANY LIMITED (BUYER) AND THANACHART CAPITAL PUBLIC COMPANY LIMITED (“TCAP”), NFS ASSETS MANAGEMENT COMPANY LIMITED (“NFSAMC”) AND THANACHART BANK PUBLIC COMPANY LIMITED (“TBANK”) (SELLER)

1. Transaction date November 4, 2011
2. Details of involved parties

(Information as of date October 31, 2011)

List of contract parties between MBK or its subsidiaries with the connected persons	Relationship		Portion of share (% of the paid-up capital)	List of directors who are connected persons
	Status to MBK	Shareholders		
1. NFSAMC	A direct subsidiary of TCAP which is a major shareholder of MBK	TCAP	100%	1. Mr. Banterng Tantivit 2. Mr. Suphadej Poonpipat 3. Mr. Piyaphon Artmangkorn
2. TBANK	A direct subsidiary of TCAP which is a major shareholder of MBK	TCAP	50.90%	
3. TCAP	A major shareholder of MBK	-	-	

### 3. Detail of LLKGC shares purchase and purchase price

Seller	Price per share (THB)	Amount of ordinary share purchase (Shares)	Value of share purchase(THB)
TCAP	4.60	9,783,590	45,004,514.00
NFSAMC	4.60	1,928,619	8,871,647.40
TBANK	4.60	1,519,905	6,991,563.00
<b>Total</b>		<b>13,232,114</b>	<b>60,867,724.40</b>

4. Transaction value THB 60,867,724.40
5. Necessity and reasonableness of the transaction

MBK purchases shares of Lam Luk Ka Golf and Country Club Company Limited (“LLKGC”) from Thanachart Capital Public Company Limited (“TCAP”), NFS Assets Management Company Limited (“NFSAMC”) and Thanachart Bank Public Company Limited (“TBANK”) are fair and reasonable due to the purchase of LLKGC are in order to expand the golf business which is one of MBK’s core businesses.

Moreover, the purchase prices which MBK have paid to TCAP, NFSAMC and TBANK are reasonable due to they are calculated from income approach by using the discounted cash flow approach in order to find present value of income from golf business operation which anticipate to occur.

### 3. THE ENTERING INTO THE PURCHASE OF USED EQUIPMENT BY BIDDING BETWEEN T LEASING COMPANY LIMITED (“TLS”) (BUYER) AND THANACHART INSURANCE COMPANY LIMITED (“TNI”) (SELLER)

1. Transaction date      December 30, 2011
2. Details of involved parties

(Information as of date November 30, 2011)

List of contract parties between MBK or its subsidiaries with the connected persons	Relationship		Portion of share (% of the paid-up capital)	List of directors who are connected persons
	Status to MBK	Shareholders		
1. TLS	A direct subsidiary	MBK	99.99%	1. Mr. Banterng Tantivit
2. TNI	An indirect subsidiary of Thanachart Capital Public Company Limited (“TCAP”) which is a major shareholder of MBK	TBANK	100%	2. Mr. Suphadej Poonpipat 3. Mr. Piyaphon Artmangkorn
2. TBANK	A direct subsidiary of TCAP which is a major shareholder of MBK	TCAP	50.90%	
3. TCAP	A major shareholder of MBK	-	-	

3. Details of equipment and purchase prices

TLS has purchased used equipment by bidding from TNI. Details of purchase equipment are as follows:

Transaction	Amount (Units)
1. Cabinet	24
2. Desk	11
3. Chair	54
<b>Total</b>	<b>89</b>

4. Transaction value
  - 4.1 Bidding price THB 38,092.00 (include vat)
  - 4.2 The book value of equipment separated by categories
    1. Cabinet group      THB      52,975.00
    2. Desk group          THB      34,760.00
    3. Chair group        THB      105,410.00
    - Total                    THB      193,145.00**

5. Necessity and reasonableness of the transaction

That T Leasing Company Limited (“TLS”) enter into the purchase of used equipment such as cabinet, desk and chair by bidding with Thanachart Insurance Company Limited (“TNI”) is reasonable due to the bidding price is reasonable as the following reasons:

1. The bidding average price per piece of TLS are lower than the average price per piece of TNI.
2. The total bidding purchase price are lower than book value of equipment.

TLS can use those equipment in order to operate the extend of company branch in stead of buying new equipment.

# AUDIT COMMITTEE'S REPORT

## DEAR SHAREHOLDERS OF MBK PUBLIC COMPANY LIMITED

The Board of Company Directors has decided to set the structure, qualifications, tenure, duties and responsibilities of the Company's Audit Committee into written form. The Audit Committee consists of the following independent directors:

- |    |                    |              |                                 |
|----|--------------------|--------------|---------------------------------|
| 1. | Professor Paichitr | Rojanavanich | Chairman of the Audit Committee |
| 2. | Mrs. Prakong       | Lelawongs    | Member of the Audit Committee   |
| 3. | Mr. Pracha         | Jaidee       | Member of the Audit Committee   |

The head of Company's Internal Audit acts as the secretary of the Audit Committee.

In order to have the accounting system meet the standard practice for the benefit of people who use financial statement, the Company changed the fiscal year from July 1 ended on June 30 to January 1 ended on December 31 while the 6-month cycle would be ended on December 31, 2011. The Audit Committee has performed its duties within the scope of responsibilities assigned and in accordance with the charter of the Audit Committee, which is in comply with the regulation of the Stock Exchange of Thailand. The Audit Committee had convened a total of 8 meetings, at each of meetings all the directors on the Audit Committee had attended. The essence of the work performed can be summarized as follows:

### FINANCIAL STATEMENT REPORT

The Audit Committee, the auditor, management division and Internal Audit had reviewed the Company's quarterly and the yearly financial statements as well as the consolidated financial statements of the Company and its subsidiaries. By considering from important aspect and give advices and useful suggestions to ensure that the Company financial budget process is accurate and reliable, as well as to ensure that the disclosure of important information is sufficient and timeliness for the financial statement users. Which is also in accordance with the laws and related notices as well as in accordance with the regulations of Stock Exchange of Thailand (SET) and Securities and Exchange Commission (SEC) and in comply with the General Accepted Accounting Principles and is consistently following the same practice.

### RELATED TRANSACTION OR CONFLICT OF INTEREST TRANSACTION

The Audit Committee had considered and given opinions about connected transactions or transactions that may give rise to a conflict of interest with the Company and its subsidiaries. The purpose is to determine whether the execution of the transactions is reasonable and in line with the conditions imposed by the Stock Exchange of Thailand, taking into account the interest of the stakeholders.

### INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Audit Committee had reviewed the adequacy of the Internal Control Systems of the Company and its subsidiaries, based on the reports of the Internal Audit and the auditor. The purpose is to assess the appropriateness and the efficiency of the Internal Control System, the risk management, and the business operations of the management that are in line with the established policies and the delegation of the authority.

### COMPLIANCE

The Audit Committee reviewed the Company's business operation to ensure that it is in line with the laws of Securities and The Stock Exchange of Thailand, the regulations of the Stock Exchange of Thailand and laws that are related with the Company's business.

## GOOD CORPORATE GOVERNANCE

The Audit Committee had conducted such audits as to ensure that the administration of the business of the Company was in compliance with the Good Corporate Governance in order to transparency operates and build confidence to the stakeholders.

## INTERNAL AUDIT GOVERNANCE

The Audit Committee had considered the independence of the Internal Audit, its scope of responsibilities and annual audit plan as well as considered the audit report and monitoring the implementation of solutions to key issues mentioned in the audit report. Giving advice on how to improve and streamline the audit performance. Considering the appropriateness of the budget, the workforce, training and personnel development and the annual performance appraisal of the Internal Audit.

## CONSIDERING THE APPOINTED AUDITOR AND COMPENSATION

The Audit Committee has considered the appointment of the auditor and the annual auditor remuneration. By considering from the work quality, the status of the auditor, key constraints or the regulation of Stock Exchange of Thailand or other related organizations. The Audit Committee held separate meetings with the auditor without any involvement of the management. The purpose of the meetings was to ensure the independence of the auditor and the neutrality on work performance.

The Audit Committee had examined the auditors' work performance of Ernst & Young Office Limited from the accounting period of previous year and considered the auditor's remuneration and proposed to the Board of Directors to reappoint Ernst & Young Office Limited as the Company's auditor for another period. The Audit Committee deemed that the auditors had good understanding of the Company's businesses, practiced in a neutral and independence manner as well as regularly delivered its work on time. Which the Annual General Meeting of Shareholders for the year 2011 had appointed Ernst & Young Office Limited as the Company's auditor for another period. The appointed auditors are:

Ms Ratana	Jala	Certified Public Accountant license number 3734 and/or
Mr. Sophon	Permsirivallop	Certified Public Accountant license number 3182 and/or
Mrs. Nonglak	Pumnoi	Certified Public Accountant license number 4172 and/or
Ms. Sumalee	Reewarabandith	Certified Public Accountant license number 3970

For the six months that ended on 31<sup>st</sup> December 2011, Ms. Ratana Jala is the Certified Public Accountant who audited the Company's financial budget.

The Audit Committee deemed that during for the six months that ended on 31<sup>st</sup> December 2011, the Company had put in place the appropriate and adequate Internal Control Systems as well as established procedures that helped build confidence in Company's operation. Also to ensure that it is in line with the related laws and with good corporate governance along with the compilation and disclosure of reliable Company's financial report information.



**PROFESSOR PAICHITR ROJANAVANICH**

Chairman of Audit Committee

27<sup>th</sup> February 2012



# REPORT ON THE RESPONSIBILITY OF THE BOARD OF DIRECTORS TOWARDS FINANCIAL REPORTS

The Company's Board of Directors is responsible for the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries as well as financial information presented in the annual reports. The financial statements for the past six months end December 31, 2011 have been prepared in accordance with Thailand's Generally Accepted Accounting Principles (GAAP). In preparing the financial statements, appropriate accounting policies have been adopted and regularly adhered to, using careful discretion and reasonable estimates. As well, key information has been adequately disclosed in the notes to the financial statements. The purpose is to ensure that the disclosed information rightly reflect the Company's financial status, performance and cash flows in a transparent manner, which are beneficial to the investing public. Importantly, the certified auditor from Ernst & Young Office Limited has audited the financial statements and issued an unqualified opinion on them. To enable the auditor to conduct the audit and provide the opinion in line with the audit standards, the Company provides the auditor with its support in terms of information and documents.

The Board of Directors has also put in place and maintained risk management systems, internal control systems, internal audit systems as well as appropriate and efficient corporate governance. The purpose is to ensure that the accounting information is accurate, complete and adequate, and that not only the Company's assets and risk protection are properly maintained but also fraud and significant irregular actions are prevented.

In this connection, the Board of Directors has appointed the Audit Committee with all of its members being independent directors. The Committee is responsible for reviewing accounting policies and ensuring the quality of financial reports. It is also responsible for reviewing internal control systems, the internal audit systems, and the risk management systems. As well, it is responsible for ensuring that the disclosure of information about related party transactions is complete, adequate and appropriate. The opinion of the Audit Committee is given in its report which is already included in this Annual Report.

The Board of Directors is of the opinion that the overall internal control systems are adequate and appropriate and gives rise to the reasonable confidence that the separate financial statements of the Company as well as the consolidated financial statements of the Company and its subsidiaries for the past six months end December 31, 2011 are reliable and in compliance with the Generally Accepted Accounting Principles (GAAP) as well as the related laws and regulations.



**BANTERNG TANTIVIT**  
Chairman of the Board of Directors



**SUVAIT THEERAVACHIRAKUL**  
President and CEO

## REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Company's Board of Directors approved the establishment of the Nomination and Remuneration Committee on 23<sup>rd</sup> February 2007. Currently, the Nomination and Remuneration Committee consists of three members as follows:

- |    |  |   |
|----|--|---|
| 1. | First Lieutenant Chatrachai Bunya-Ananta | Chairman of the Nomination and Remuneration Committee, (Independent director) |
| 2. | Mr. Suphadej Poonpipat                   | Member of the Nomination and Remuneration Committee                           |
| 3. | Ms. Panit Pulsirivong                    | Member of the Nomination and Remuneration Committee, (Independent director)   |

The Nomination and Remuneration Committee is responsible for searching for qualified candidates for directorship and propose them to the Board of Directors or the meeting of shareholders for consideration. It is also responsible for searching for qualified candidates for the position of President and Chief Executive Officer as well as considering the remuneration of the position. The Committee will appraise the performance of the Chief Executive Officer annually.

During the period July 1, 2011 - December 31, 2011, the Nomination and Remuneration Committee carried out its duties cautiously, carefully and in a rational manner. To fill vacancies as a result of the retirement of directors by rotation, the Committee held one meeting during the period to review and propose names of candidates who were qualified legally and in compliance with the rules and regulations related to directorship. The Committee also considered the remuneration of the Board of Directors and the various committees. The names of the qualified candidates were proposed to the Board of Directors and the meeting of the shareholders for appointment. The shareholders were also provided with an opportunity to propose names of persons whom they considered appropriate for appointment as directors. As regards the consideration of the remuneration of President and Chief Executive Officer, the Committee took into account the position's duties and responsibilities, the assignments given to the Officer as well as the performance of the Company in comparison with the established targets. The Committee also took into account the real economic conditions and the levels of remuneration earned by the same position in similar industries.



**FIRST LIEUTENANT CHATRACHAI BUNYA-ANANTA**  
Chairman of the Nomination and Remuneration Committee

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011

1

## Business highlight

### Investment in associates

- a) In August 2011, the Company invested in an establishment of a new company, which is set up under the Law of Republic of Maldives, to operate the hotel business. The Company holds 11,550,000 ordinary shares of such company with a par value of USD 1 for a total USD 11.55 million or equivalent to Baht 347.7 million. The Company held the shares representing 30.00% of the share capital and classified the investment as an associate.

The Company recognized share of loss of the associate as mentioned above for the period from 1 September to 31 December 2011 amounting to Baht 22.2 million, mainly representing personnel costs and pre-operating expenses. Currently, the hotel is now under construction and expected to finish and open in March 2012

- b) During July to October 2011, the Company invested in Lam Lukka Golf and Country Club Company Limited ("Lam Lukka") by purchasing the additional common shares amounting to Baht 71.8 million. As a result, the Company's shareholding in Lam Lukka is changed from 15.64%, amounting to Baht 93.6 million, as at 30 June 2011 to 26.37%, amounting to Baht 165.4 million. The investment in Lam Lukka has also changed the status from investments in other companies to investments in associates on 1 November 2011. The operating results of Lam Lukka for the two-month period ended 31 December 2011 do not have significant impact on the consolidated net income of the Group.

### Change in accounting period

The Group has changed the accounting period starting from 1 July to 30 June of next year to the period starting from 1 January to 31 December of every year according to a resolution of the Ordinary General Shareholders' Meeting on 31 October 2011, starting from the period ended 31 December 2011 onward. The financial statements for the period ended 31 December 2011 have been prepared under this new accounting period, presented from 1 July 2011 to 31 December 2011.

For the benefits of users in comparing and analyzing the financial information, including the explanation notes for the increase or decrease, an analysis of operating results as described in the next section will be for the six-month period ended 31 December 2011 and be compared with the same period of last year.

## **2 Analysis of operating results**

### **2.1 Overall**

The operating results of MBK Public Company Limited and its subsidiaries ("the Group") for the six-month periods ended 31 December 2011 and 2010 are as follows:

(Unit: Million Baht)

	<i>For the six-month periods ended 31 December</i>			
	2011	2010	Increase/(Decrease)	
<b>Revenue</b>				
Revenue from operations	4,241.0	3,995.8	245.3	6.1%
Share of income from investments in associates	51.1	74.0	(22.9)	(30.9%)
<b>Total</b>	<b>4,292.1</b>	<b>4,069.8</b>	<b>222.4</b>	<b>5.5%</b>
<b>Net income attributable to equity holders of the parent</b>				
Income from continuing operations	654.4	573.1	81.3	14.2%
Loss from discontinued operations	-	(6.1)	6.1	100.0%
<b>Total</b>	<b>654.4</b>	<b>567.0</b>	<b>87.4</b>	<b>15.4%</b>
<b>Earnings per share (Baht)</b>	<b>4.32</b>	<b>3.74</b>	<b>0.6</b>	<b>15.4%</b>

#### **2.1.1 Revenue**

The total revenue for the six-month period ended 31 December 2011 increased by Baht 222.4 million or 5.5% due to the following major factors:

- After the major renovation was completed, Paradise Park Shopping Center held the grand opening in August 2010 and its revenue therefore increased by Baht 93.1 million.
- MBK Shopping Center increased its revenue by Baht 63.3 million mainly due to the increase in annual rental rate adjustment whereas some discount for rental and services were granted to the tenants, who were affected by the unrest political situation, during July 2010.



- c) The Nine Neighborhood Center, a new community mall located at Rama IX Road, started its opening in July 2011 and generated revenue for the current period by Baht 79.2 million.
- d) The motorcycle dealer business which commenced its business operations since December 2010 generated revenue for the current period by Baht 61.3 million.
- e) The hotel business increased its revenue by Baht 99.8 million because the new hotel in Krabi Province, which was acquired on 1 April 2011, generated revenue in the current period by Baht 52.4 million. Besides, in the same period of last year, the hotel business was affected by the unrest political situation and therefore the operating result in the current period showed a better performance.
- f) The rice business decreased its revenue by Baht 150.7 million because of the reduction in sales volume caused by the flood disaster in Thailand during September to December 2011. Moreover, the government rice mortgage policy impacts on the higher cost of raw materials and higher market competition.
- g) The real-estate business decreased its revenue by Baht 87.3 million because in the same period of last year, there was major revenue recognition for the residential project "The Indy II" in Phuket.

### 2.1.2 Net income

The net income attributable to equity holders of the parent for the six-month periods ended 31 December 2011 and 2010 were Baht 654.4 million and Baht 567.0 million, respectively, which increased by Baht 87.4 million or 15.4% according to the growth in operating results from the shopping center business and the hotel business, as mentioned above. In addition, there were some discount for rental and services granted to the tenants to promote the new shopping mall "Paradise Park" and the high marketing expenses related to the grand opening of Paradise Park in August 2010 resulted in a better performance for the current period when compared to the same period of last year.

### 2.1.3 Discontinued operations

On 30 August 2010, the Group discontinued the businesses of bran oil plant and power generation plant because the husk which is the main raw material cost of production increased dramatically. As a result, the discontinued operation was one of the factors that improved the group performance.

The significant movements in revenue and expenses for the six-month periods ended 31 December 2011 in comparison with 2010 were as follows:

## **2.2 Revenue**

The main revenue of the Group are divided into 4 categories, which are revenue from sales, revenue from service and rental, revenue from hotel operations, and revenue from hire purchase. The details of significant movements were as follows:

### **(a) Revenue from sales**

Revenue from sales mainly comprised of the revenue from the subsidiaries in the businesses of rice, real estate, retail business in shopping center, and sales of food and beverage.

Revenue from sales for the six-month period ended 31 December 2011 decreased by Baht 166.4 million or 10.3% due to the following major factors:

- The revenue from the rice business decreased by Baht 150.7 million due to the decrease in sales volume which were affected by the flood disaster and the government rice mortgage policy.
- The revenue from the real estate business in Phuket decreased by Baht 87.3 million which was mainly from the revenue recognition of the residential project "The Indy II" in the last year period.
- The new subsidiary who engages in a motorcycle dealer business which started its business operation since December 2010, increased its revenue by Baht 61.3 million.

### **(b) Revenue from services and rental**

Revenue from services and rental principally comprised of the revenue from property for lease and service, and from the golf course businesses.

Revenue from services and rental for the six-month period ended 31 December 2011 increased by Baht 232.5 million or 14.7%. The major reasons were as follows:

- Paradise Park Shopping Center held its grand opening in August 2010 and thus the revenue for the current period, in comparison with last year period, increased by Baht 85.8 million.
- MBK Shopping Center increased its revenue by Baht 63.3 million due to the increase in annual rental rate adjustment in accordance with the economic condition whereas some discount for rental and services approximately Baht 12.0 million were granted to the tenants, who were affected by the unrest political situation, during the same period of last year.



- The Nine Neighborhood Center, a new community mall, had opened since July 2011 and generated revenue for the current period amounting to Baht 79.2 million.

**(c) Revenue from hotel operations**

Revenue from hotel operations for the six-month period ended 31 December 2011 increased by Baht 99.8 million or 25.6%. The main factors were that, in last year period, the hotel business was affected by the unrest political situation which was the major factor that increased its revenue for the current period by Baht 47.4 million when compared to the same period of last year. Furthermore, such increase included the revenue of Baht 52.4 million generated from the new hotel acquired on 1 April 2011 named, "Layana Resort and Spa" located in Koh Lanta, Krabi.

**(d) Revenue from hire-purchase**

Revenue from hire-purchase for the six-month period ended 31 December 2011 increased by Baht 17.6 million or 14.5% due to the growth of hire-purchase portfolio.

**2.3 Cost of sales and gross margin**

The major cost of sales and gross margin of the Group are divided into 3 categories based on revenue types which are cost of sales, cost of services and rental, and direct hotel operating expenses. The details of significant movements were as follows:

**(a) Cost of sales and gross margin**

Cost of sales for the six-month period ended 31 December 2011 decreased by Baht 110.5 million or 7.9%. In overall, cost of sales varied according to the decrease of sales. The average gross margin went down from 13.0% to 10.6% or decreased by 2.4% when compared to the same period of last year. The major factors were that the cost of rice increased per market conditions and the reclassification of building and equipment of its power generator business from non-current assets held-for-sale account to building and equipment account due to the change in a plan for sale of these assets, as a result, the adjustment related to depreciation charge amounting to Baht 27.0 million, which calculated from the date before their reclassification as non-current assets held-for-sale until 31 December 2011, was recognized as cost of sales in the current period.

**(b) Cost of services and rental, and gross margin**

Cost of services and rental for the six-month period ended 31 December 2011 increased by Baht 64.0 million or 9.0% which was in line with the increase in revenue. The average gross margin went up from 55.4% to 57.5% or increased by 2.2% when compared to the same period of last year due to the growth in revenue of MBK Shopping Center, Paradise Park and The Nine Neighborhood Center as mentioned in No.2.2 (b). In addition, the major costs were mainly fixed which resulted in a better average gross margin.

**(c) Direct hotel operating expenses and gross margin**

Direct hotel operating expenses for the six-month period ended 31 December 2011 increased by Baht 40.3 million or 13.1% which was in line with the increase in revenue. The average gross margin went up from 21.0% to 28.9% or increased by 7.9% when compared to the same period of last year due to the higher revenue of the hotel business as described in No. 2.2(c) while the major costs were mainly fixed which resulted in a better average gross margin.

**2.4 Selling and administrative expenses**

Selling and administrative expenses for the six-month period ended 31 December 2011 increased by Baht 105.2 million or 16.8% which were in line with the growth of revenue and normal economic conditions except the following items.

- a) The acquisition of a new hotel "Layana Resort and Spa" on 1 April 2011 and the opening of business operations of a new community mall "The Nine Neighborhood Center", resulted in higher selling and administrative expenses by Baht 24.0 million and Baht 25.5 million, respectively.
- b) Paradise Park Shopping Center decreased its selling and administrative expenses by 46.1 million which was mainly from marketing and promoting expenses in related to the opening of Paradise Park in August 2010



### 3 **Analysis of financial position**

The significant movements in assets, liabilities and shareholders' equity as at 31 December 2011 when compared with the balance as at 30 June 2011 were as follows:

(Unit: Million Baht)

	31 Dec 2011	30 Jun 2011	Increase/(decrease)	
Total assets	27,065.1	28,478.7	(1,413.6)	(5.0%)
Total liabilities	14,205.0	15,838.6	(1,633.6)	(10.3%)
Equity attributable to the Company's shareholders	11,977.5	11,742.3	235.2	2.0%
Minority interests - equity attributable to minority shareholders of subsidiaries	882.6	897.8	(15.2)	(1.7%)

#### 3.1 **Assets**

##### 3.1.1 **Current investments**

Current investments decreased by Baht 213.6 million or 4.8%, mainly represented investments in equity securities which are classified as available-for-sale marketable securities. During the six-month period ended 31 December 2011, the Group purchased investment in equity securities of Baht 29.8 million and the fair values of the securities on hand at 31 December 2011 decreased by Baht 271.4 million.

##### 3.1.2 **Inventories**

Inventories increased by Baht 149.6 million or 12.9%. The main factors were as follows:

- The increase of Baht 68.9 million from the construction progress of a new project "Sabai Village" in Phuket.
- The cost of land in Phuket amounting to Baht 69.4 million was transferred from property held for development to property development costs under inventories because of the development of the new project "Planery Zone 2".
- The increase of Baht 25.2 million from the construction progress of land development for residential projects in Patumthani.

- d) The decrease of Baht 48.4 million was due to the fact that the rice business ceased its milling operation and the new factory at Sikhiu District, Nakhonratchasima Province, had a limited space for storage resulted in the decrease in purchasing volume. However, the rice business has applied advance payment for inventory purchase so that the stock would be stored at the supplier warehouse. Advance payment for purchase of inventories balance as at 31 December 2011 amounting to Baht 28.9 million is presented in other current assets.

### 3.1.3 Investment in associates

Investments in associates went up by Baht 533.6 million or 25.3%. The significant movements for the six-month period ended 31 December 2011 were as follows:

- a) The increase of Baht 51.1 million, from the recognition share of profit under equity method. However, when compared to the same period of last year, the share of profit decreased by Baht 22.9 million due to the recognition of the share of loss in a new associate as mentioned in b) amounting to Baht 22.2 million.
- b) The increase of Baht 347.7 million derived from the establishment of a new associate who operates the hotel business at Republic of Maldives, as described in No.1 – Business highlight.
- c) The increase of Baht 165.4 million from the reclassification of investments from investments in other companies to investments in associates as noted in No.1 – Business highlight.
- d) The decrease of Baht 33.2 from the dividend received under equity method.

### 3.1.4 Investment properties - net

Investment properties – net, decreased by Baht 41.2 million or 0.7%. The significant movements for the six-month period ended 31 December 2011 were as follows:

	<i>Description</i>	<i>Million Baht</i>
1	The project of The Nine Neighborhood Center	190.3
2	Others	22.2
3	Depreciation for the period	(209.3)
	<b>Total net movements</b>	<b>(41.2)</b>



### 3.1.5 Property, plant and equipment - net

Property, plant and equipment - net, increased by Baht 71.8 million or 1.9%. The significant movements for the six-month period ended 31 December 2011 were as follows:

	<i>Description</i>	<i>Million Baht</i>
1	The construction costs for building, machinery and equipment for the new factory at Sikhio District in Nakhon Ratchasima for the rice business	39.6
2	The renovation project of a club house at The Loch Palm Golf Course	26.9
3	The renovation project of hotel rooms at Sheraton Krabi Beach Resort	86.8
4	The renovation project of hotel meeting/seminar rooms at Pathumwan Princess	24.2
5	The transfer of building and equipment of its power generator business from non-current assets held for sale to building and equipment as described in No. 2.3 (a)	121.5
6	Others	37.1
7	Depreciation for the period	(264.3)
	<b>Total net movements</b>	<b>71.8</b>

## 3.2 Liabilities

### 3.2.1 Bank overdrafts and short-term loans from financial institutions

Bank overdrafts and short-term loans from financial institutions increased by Baht 446.4 million or 91.1%. The major factors were that the rice business increased its borrowings by Baht 70.0 million for working capital. In addition, in August 2011, the Company entered into loan agreement with a foreign bank amounting to USD 11.52 million, or equivalent to Baht 346.7 million, in order to invest in an establishment of a new associate who operates the hotel business at Republic of Maldives. As at 31 December 2011, the Company recognised unrealized loss on exchange rate amounting to Baht 19.9 million due to the devaluation of Thai Baht against US Dollar currency.

### 3.2.2 Trade accounts payable and other accounts payable

Trade accounts payable and other accounts payable decreased by Baht 160.9 million or 18.0% due to the decrease in payables related to the construction of projects Paradise Park Shopping Mall and the Community Mall "The Nine Neighborhood Center" which their substantial works were completed in the current period.

### **3.2.3 Long-term debentures**

Long-term debentures (including current-portion) net of issuance of debenture expense went down by Baht 1,300.1 million or 18.6% due to the repayment of the debenture which was due in July 2011 amounting to Baht 2,000.0 million. However, in August 2011, the Company issued a long-term unsubordinated and unsecured debentures amounting to Baht 700.0 million for the Group business expansion.

### **3.2.4 Provision for long-term employee benefits**

Provision for long-term employee benefits increased by Baht 56.0 million or 100.0% due to the adoption of Thai Accounting Standard No.19 – Employee benefits, issued by the Federation of Accounting Professions, which affected to the Group on 1 July 2011 onward. This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

### **3.2.5 Deferred tax liabilities**

Deferred tax liabilities decreased by Baht 364.5 million or 38.3% mainly due to the fact that in December 2011, there is an announcement through a royal decree to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. The Group reflected the changes in tax rates in its deferred tax from 30% to 20%. In addition, such decrease included amount of Baht 54.2 million from devaluation adjustment in fair value of the marketable securities on hand as at 31 December 2011.

## **3.3 Equity attributable to the Company's shareholders**

Equity attributable to the Company's shareholders increased by Baht 235.2 million or 2.0%. The significant movements for the six-month period ended 31 December 2011 was as follow:

The increase of Baht 235.1 million in retained earnings was due to:

- The increase of Baht 654.4 million from net profit for the period.
- The decrease of Baht 40.8 million from cumulative effect of change in accounting policy for employee benefits.
- The decrease of Baht 378.6 million from dividend payment for the operating results for the six-month period ended 30 June 2011.



#### 4 Analysis of the liquidity

##### 4.1 Statement of cash flows

Cash flows of the Group for the six-month periods ended 31 December 2011 and 2010 are summarised in table below:

(Unit: Million Baht)

	<i>For the six-month periods ended 31 December</i>			
	2011	2010	Cash flows increase/(decrease)	
<i>Net income from operating activities before changes in operating assets and liabilities</i>	793.1	68.4	724.7	1,059.5%
<i>Net movements in operating assets and liabilities</i>	(246.9)	(557.8)	310.9	55.7%
<i>Net cash flows from operating activities</i>	546.2	(489.4)	1,035.6	211.6%
<i>Net cash flow used in investing activities</i>	(979.6)	(675.8)	(303.8)	(45.0%)
<i>Net cash flows received from (used in) financing activities</i>	(1,481.3)	234.8	(1,716.1)	(730.9%)
<i>Net increase/(decrease) in cash and cash equivalents</i>	(1,914.7)	(930.4)	(984.3)	105.8%

##### 4.1.1 Cash flows from operating activities

The significant movements in cash flows from operating activities and operating assets and liabilities are as mentioned in the analysis of operating results and financial status above.

##### 4.1.2 Cash flows from investing activities

Net cash flows used in investing activities increased by Baht 303.8 million or 45.0% due to the following major reasons:-

##### Factors in cash increases:

- Cash outflow in the purchases of property, plant and equipment, and investment property decreased by Baht 298.2 million due to the significant projects incurred during last year period such as Paradise Park Shopping Center, The Nine Neighborhood Center, and Riverdale Golf and Country Club in Patumthani.
- Cash outflow for lending of secured long-term loans (net of cash receipts) decreased by Baht 120.7 million.

Factors in cash decreases:

- c) Cash proceeds from sales of investments in marketable securities (net of cash paid for purchase investments) decreased by Baht 364.4 million.
- d) Cash paid for establishment of a new associate who operates hotel business in foreign country increased by Baht 347.7 million.

4.1.3 Cash flows from financing activities

Net cash flows received from financing activities declined significantly by Baht 1,716.1 million or 730.9% mainly due to the following major reasons:-

Factors in cash decreases:

- a) Cash receipts of long-term loans (net of repayment) decreased by Baht 366.0 million mainly due to the fact that a subsidiary increased its borrowing during last year period in order to be spent in renovation of Paradise Park Shopping Center.
- b) Cash receipts of long-term debentures (net of repayment) decreased by Baht 1,297.9 million due to the repayment and issuance of debentures as mentioned in No. 3.2.3 – Long-term debentures.

## FINANCIAL STATEMENTS



# REPORT OF INDEPENDENT AUDITOR

## TO THE SHAREHOLDERS OF MBK PUBLIC COMPANY LIMITED

I have audited the accompanying consolidated statement of financial position of MBK Public Company Limited and its subsidiaries as at 31 December 2011, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended and have also audited the separate financial statements of MBK Public Company Limited for the same period. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of MBK Public Company Limited and its subsidiaries and the separated financial statements of MBK Public Company Limited for the year ended 30 June 2011 were audited by another auditor of our firm who expressed an unqualified opinion under her report dated 25 August 2011.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MBK Public Company Limited and its subsidiaries and of MBK Public Company Limited as at 31 December 2011, and the results of their operations and cash flows for the six-month period then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to Note 4 to the financial statements, during the current period, the Group adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of its financial statements. The Group has restated the financial statements as at 30 June 2011 and for the year then ended to reflect the changes in accounting policies resulting from the adoption of these new accounting standards.



**RATANA JALA**

Certified Public Accountant (Thailand) No. 3734  
Ernst & Young Office Limited

Bangkok: 27 February 2012



# STATEMENT OF FINANCIAL POSITION

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2011 AND 30 JUNE 2011

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2011	30 June 2011	31 December 2011	30 June 2011
			(Restated)		(Restated)
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	9	654,825,685	2,569,558,843	403,270,082	2,291,271,589
Current investments	10, 44	4,282,617,645	4,496,237,448	3,778,986,216	4,001,417,761
Trade and other receivables	11, 44	519,001,523	450,592,959	79,825,237	108,681,671
Short-term loans to related companies	44	74,971,712	21,017,000	1,572,944,712	825,552,775
Current portion of hire purchase receivables	12	553,575,804	501,565,220	-	-
Short-term loans and current portion of long-term loans	18	779,184,990	675,748,910	5,247,295	7,355,233
Inventories	13	1,305,139,435	1,155,564,782	37,231,503	35,337,768
Other current assets	14, 44	249,587,345	209,031,160	14,939,239	11,670,302
Non-current assets held for sale		-	116,822,430	-	-
<b>Total current assets</b>		<b>8,418,904,139</b>	<b>10,196,138,752</b>	<b>5,892,244,285</b>	<b>7,281,287,099</b>
<b>Non-current assets</b>					
Restricted fixed deposits		1,857,927	1,743,071	-	-
Investments in associates	15	2,639,036,123	2,105,450,622	1,993,459,401	1,817,054,617
Investments in subsidiaries	16	-	-	12,615,991,782	11,362,991,782
Other long-term investments	17	15,260,251	108,911,851	11,337,505	115,946,570
Hire purchase receivables - net of current portion	12	388,109,976	367,581,874	-	-
Long-term loans - net of current portion	18	1,650,648,751	1,653,608,774	1,069,708,784	1,042,143,142
Investment properties	19	5,628,647,210	5,669,809,137	334,987,647	387,839,445
Land held for development	20	1,022,701,293	1,099,070,912	-	-
Property, plant and equipment	21	3,861,416,143	3,789,587,242	584,589,133	659,466,300
Leasehold rights		462,485,777	502,049,392	70,825,306	97,384,796
Prepaid rental fee	12	2,797,904,805	2,797,904,805	2,797,904,805	2,797,904,805
Intangible assets	22	56,756,860	55,901,478	35,007,222	34,304,162
Deferred tax asset	37	42,176,768	51,831,832	9,999,286	6,794,390
Other non-current assets	23	79,147,967	79,051,261	74,896	74,896
<b>Total non-current assets</b>		<b>18,646,149,851</b>	<b>18,282,502,251</b>	<b>19,523,885,767</b>	<b>18,321,904,905</b>
<b>Total assets</b>		<b>27,065,053,990</b>	<b>28,478,641,003</b>	<b>25,416,130,052</b>	<b>25,603,192,004</b>

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



# STATEMENT OF FINANCIAL POSITION (Continued)

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2011 AND 30 JUNE 2011

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2011	30 June 2011	31 December 2011	30 June 2011
			(Restated)		(Restated)
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from					
financial institutions	24	936,707,183	490,261,800	366,703,488	-
Trade and other payables	25, 44	664,538,582	830,703,054	249,336,999	374,045,002
Short-term loans from related companies	44	188,660,000	176,552,775	3,454,091,000	2,503,414,000
Current portion of long-term liabilities under financial lease					
agreements - related company	44	-	-	3,937,832	3,874,270
Current portion of long-term loans from financial					
institutions	27, 44	303,000,000	293,000,000	-	-
Current portion of long-term debentures	28	-	1,999,986,077	-	1,999,986,077
Current portion of advance rental and service deposits		448,685,305	465,587,645	438,640,891	447,359,026
Current portion of long-term lease payable	29	85,000,000	85,000,000	85,000,000	85,000,000
Corporate income tax payable		240,093,878	225,950,453	175,212,909	167,505,447
Other current liabilities	26	400,722,587	359,796,256	144,172,804	113,328,938
<b>Total current liabilities</b>		<b>3,267,407,535</b>	<b>4,926,838,080</b>	<b>4,917,095,923</b>	<b>5,694,512,760</b>
<b>Non-current liabilities</b>					
Long-term liabilities under financial lease agreements					
- related company - net of current portion	44	-	-	7,649,958	8,646,209
Long-term loans from financial institutions					
- net of current portion	27	929,372,000	1,080,872,000	-	-
Long-term debentures - net of current portion	28	5,695,591,010	4,995,664,749	5,695,591,010	4,995,664,749
Advance rental and service deposits - net of current portion		2,675,279,875	2,854,020,945	2,643,303,558	2,848,684,046
Long-term lease payable - net of current portion	29	85,000,000	85,000,000	85,000,000	85,000,000
Provision for long-term employee benefits	30	56,030,701	-	25,289,561	-
Deferred tax liabilities	37	586,595,045	951,081,510	367,015,319	626,186,063
Deposits		850,441,082	857,347,330	517,361,039	508,788,376
Other non-current liabilities	31	59,243,786	87,764,351	10,607,270	8,093,479
<b>Total non-current liabilities</b>		<b>10,937,553,499</b>	<b>10,911,750,885</b>	<b>9,351,817,715</b>	<b>9,081,062,922</b>
<b>Total liabilities</b>		<b>14,204,961,034</b>	<b>15,838,588,965</b>	<b>14,268,913,638</b>	<b>14,775,575,682</b>

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

# STATEMENT OF FINANCIAL POSITION (Continued)

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2011 AND 30 JUNE 2011

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2011	30 June 2011	31 December 2011	30 June 2011
		(Restated)	(Restated)		
<b>Shareholders' equity</b>					
Share capital					
Registered					
188,629,100 ordinary shares of Baht 10 each		1,886,291,000	1,886,291,000	1,886,291,000	1,886,291,000
Issued and paid-up					
188,629,100 ordinary shares of Baht 10 each		1,886,291,000	1,886,291,000	1,886,291,000	1,886,291,000
Premium on ordinary shares		1,276,037,500	1,276,037,500	1,276,037,500	1,276,037,500
Difference between the lower acquisition cost of business and fair value		172,206,406	172,206,406	-	-
Retained earnings					
Appropriated - statutory reserve	32	200,000,000	200,000,000	200,000,000	200,000,000
Unappropriated		7,721,741,037	7,486,658,122	6,316,826,738	6,004,187,010
Other components of shareholders' equity		1,433,200,757	1,433,096,083	1,468,061,176	1,461,100,812
Equity attribute to owners of the Company before treasury stock and non-controlling interests of the subsidiaries		12,689,476,700	12,454,289,111	11,147,216,414	10,827,616,322
Less: Treasury stock	33	(711,993,784)	(711,993,784)	-	-
Equity attributable to owners of the Company	34	11,977,482,916	11,742,295,327	11,147,216,414	10,827,616,322
Non-controlling interests of subsidiaries		882,610,040	897,756,731	-	-
<b>Total shareholders' equity</b>		<b>12,860,092,956</b>	<b>12,640,052,058</b>	<b>11,147,216,414</b>	<b>10,827,616,322</b>
<b>Total liabilities and shareholders' equity</b>		<b>27,065,053,990</b>	<b>28,478,841,003</b>	<b>25,416,130,052</b>	<b>25,603,192,004</b>

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

# STATEMENT OF COMPREHENSIVE INCOME

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011 AND FOR THE YEAR ENDED 30 JUNE 2011

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month period ended	For the year ended	For the six-month period ended	For the year ended
Note	31 December 2011	30 June 2011 (Restated)	31 December 2011	30 June 2011
<b>Continuing operations</b>				
<b>Revenues</b>				
Sales	1,446,831,283	3,150,364,198	-	-
Service and rental income	1,816,693,994	3,311,388,670	1,086,802,645	2,094,746,326
Revenue from hotel operations	489,495,141	873,738,749	285,225,974	541,292,955
Revenue from hire purchase	138,877,162	242,602,891	-	-
Other income				
Gains on sales of investments	8,634,068	5,400,409	7,723,585	1,200,559
Interest income	115,592,288	186,828,911	65,853,646	190,433,075
Dividend income	104,149,608	230,801,083	417,408,627	1,551,190,598
Others	120,768,731	176,811,561	32,821,560	75,563,215
<b>Total revenues</b>	<b>4,241,042,275</b>	<b>8,177,936,472</b>	<b>1,895,836,037</b>	<b>4,454,426,728</b>
<b>Expenses</b>				
Cost of sales	1,292,804,349	2,760,645,418	-	-
Cost of service and rental	771,251,073	1,445,055,828	248,196,827	467,412,525
Direct hotel operating expenses	348,265,719	651,364,444	211,689,387	419,888,234
Selling expenses	201,660,910	470,831,938	47,629,576	105,724,534
Administrative expenses	580,363,351	886,598,389	206,686,777	367,628,569
<b>Total expenses</b>	<b>3,194,345,402</b>	<b>6,214,496,017</b>	<b>714,202,567</b>	<b>1,380,653,862</b>
<b>Profit before share of profit from investments in associates,</b>				
<b>    finance cost and corporate income tax</b>				
	1,048,696,873	1,963,440,455	1,181,633,470	3,073,772,866
Share of profit from investments in associates	15.1	51,100,212	173,071,679	-
<b>Profit before finance cost and corporate income tax</b>	<b>1,097,797,085</b>	<b>2,136,512,134</b>	<b>1,181,633,470</b>	<b>3,073,772,866</b>
Finance costs	(190,599,811)	(372,669,796)	(203,695,872)	(462,798,379)
<b>Profit before corporate income tax</b>	<b>907,197,274</b>	<b>1,763,842,338</b>	<b>977,937,598</b>	<b>2,610,974,487</b>
Corporate income tax	37	(224,112,107)	(443,001,605)	(312,405,036)
<b>Profit for the period / year from continuing operations</b>	<b>683,085,167</b>	<b>1,320,840,733</b>	<b>800,983,118</b>	<b>2,298,569,449</b>
<b>Discontinued operations</b>				
Profit for the year from discontinued operations	-	4,902,205	-	-
<b>Profit for the period / year</b>	<b>683,085,167</b>	<b>1,325,742,938</b>	<b>800,983,118</b>	<b>2,298,569,449</b>

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



# STATEMENT OF COMPREHENSIVE INCOME (Continued)

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011 AND FOR THE YEAR ENDED 30 JUNE 2011

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month	For the year	For the six-month	For the year
	period ended	ended	period ended	ended
Note	31 December 2011	30 June 2011	31 December 2011	30 June 2011
		(Restated)		
<b>Other comprehensive income:</b>				
Unrealised gains (loss) on investments in available-for-sale securities	(16,200,960)	48,283,147	7,039,813	(15,926,283)
Unrealised loss on investments in loans	(79,448)	(1,494,814)	(79,449)	(1,494,814)
Unrealised gain on investments in loans of an associate	7,895,557	805,472	-	-
Translation adjustment of an associate	8,489,525	-	-	-
<b>Other comprehensive income for the period / year</b>	<b>104,674</b>	<b>47,593,805</b>	<b>6,960,364</b>	<b>(17,421,097)</b>
<b>Total comprehensive income for the period / year</b>	<b>683,189,841</b>	<b>1,373,336,743</b>	<b>807,943,482</b>	<b>2,281,148,352</b>
<b>Profit attributable to:</b>				
<b>Equity holders of the Company</b>				
Profit for the period / year from continuing operations	654,408,359	1,290,662,003		
Profit for the period / year from discontinued operations	-	3,653,123		
Profit for the period / year for equity holder of the Company	654,408,359	1,294,315,126	800,983,118	2,298,569,449
<b>Non-controlling interest of the subsidiaries</b>				
Profit for the period / year from continuing operations	28,676,808	30,178,730		
Profit for the period / year from discontinued operations	-	1,249,082		
Profit for the period / year for non-controlling interest of the subsidiaries	28,676,808	31,427,812		
	683,085,167	1,325,742,938		
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	654,513,033	1,343,259,578	807,943,482	2,281,148,352
Non-controlling interest of the subsidiaries	28,676,808	30,077,165		
	683,189,841	1,373,336,743		
<b>Earnings per share</b>				
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company	4.32	8.55	5.29	15.18
<b>Basic earnings per share from continuing operations</b>				
Profit attributable to equity holders of the Company	4.32	8.52		
Weighted average number of ordinary shares (Shares)	151,425,025	151,425,025	151,425,025	151,425,025

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011 AND FOR THE YEAR ENDED 30 JUNE 2011

(Unit: Baht)

Consolidated financial statements											
Equity attributable to owners of the Company											
	Issued and paid-up share capital	Premium on ordinary shares	Difference between the lower acquisition cost of business and fair value	Other components of shareholders' equity							
				Retained earnings				Other comprehensive income			Total shareholders' equity
				Appropriated	Unappropriated	Unrealised gains on available-for-sale securities	Unrealised gains (losses) on investments in loans of an associate	Unrealised gains on investments in loans of an associate	Total other components of shareholders' equity		
Balance as at 30 June 2010 - as previously reported	1,885,291,000	1,276,037,500	172,206,406	200,000,000	5,944,507,160	1,332,921,431	938,877	50,281,523	1,384,151,631	711,893,784	12,077,311,151
Cumulative effect of changes in accounting policies for revenue recognition in real estate sales (Note 6.2)	-	-	-	-	5,046,050	-	-	-	5,046,050	-	7,019,354
Balance as at 30 June 2010 - as restated	1,885,291,000	1,276,037,500	172,206,406	200,000,000	5,949,493,546	1,332,921,431	938,877	50,281,523	1,384,151,631	711,893,784	12,084,330,505
Dividend paid (Note 45)	-	-	-	-	(757,120,550)	-	-	-	-	-	(63,969,846)
Total comprehensive income for the year (restated)	-	-	-	-	1,294,315,126	49,653,764	(1,461,814)	865,472	48,844,452	1,345,259,576	1,373,536,743
Sale of investment of minority shareholder of subsidiaries (Note 46)	-	-	-	-	-	-	-	-	-	-	3,505,206
Balance as at 30 June 2011	1,885,291,000	1,276,037,500	172,206,406	200,000,000	7,446,688,122	1,382,555,225	(566,137)	51,096,995	1,433,096,043	711,903,784	12,640,052,058

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



# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

**MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011 AND FOR THE YEAR ENDED 30 JUNE 2011

Consolidated financial statements												(Unit: Baht)	
Equity attributable to owners of the Company													
	Issued and paid-up share capital	Premium on ordinary shares	Differences between the lower acquisition cost of business and fair value	Other components of shareholders' equity							Total shareholders' equity		
				Retained earnings	Appropriated statutory reserve	Unappropriated reserve	Unrealised gains (losses) on available-for-sale securities	Unrealised losses on investments in loans	Unrealised gains on investments in associates	Translation adjustment of shareholders' equity		Total other components of shareholders' equity	
Balance as at 30 June 2011 - as previously reported	1,886,291,000	1,276,037,500	-	172,208,406	300,000,000	7,480,723,268	1,392,555,925	(556,137)	51,090,993	1,433,096,863	11,750,360,503	895,516,866	12,651,877,369
Cumulative effect of changes in accounting policies for revenue recognition in real estate sales (Note 6.2)	-	-	-	-	-	5,934,824	-	-	-	-	5,934,824	2,239,865	8,174,689
Balance as at 30 June 2011 - as restated	1,886,291,000	1,276,037,500	-	172,208,406	300,000,000	7,486,658,122	1,392,555,925	(556,137)	51,090,993	1,433,096,863	11,742,295,327	897,756,731	12,640,052,158
Cumulative effect of change in accounting policy for employee benefits (Note 8.1)	-	-	-	-	-	(40,765,170)	-	-	-	-	(40,765,170)	(2,795,343)	(43,560,513)
Dividend paid (Note 4.5)	-	-	-	-	-	(378,550,274)	-	-	-	-	(378,550,274)	(41,028,158)	(419,588,430)
Total comprehensive income for the period (audited)	-	-	-	172,208,406	300,000,000	654,408,359	116,200,900	(70,448)	7,895,557	104,874	854,513,033	28,976,808	883,489,841
Balance as at 31 December 2011	1,886,291,000	1,276,037,500	-	172,208,406	300,000,000	7,721,741,037	1,366,354,265	(635,585)	58,992,552	1,433,200,757	11,937,482,816	902,670,040	12,860,152,956

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011 AND FOR THE YEAR ENDED 30 JUNE 2011

	Separate financial statements							(Unit: Baht)
	Other components of shareholders' equity							
	Retained earnings				Other comprehensive income		Total other components of shareholders' equity	
	Issued and paid-up share capital	Premium on ordinary shares	Appropriated statutory reserve	Unappropriated	Unrealised gains (loss) on available-for-sale securities	Unrealised gains (loss) on investments in loans		
					Total shareholders' equity			
Balance as at 30 June 2010	1,886,291,000	1,276,037,500	200,000,000	4,648,763,061	1,477,583,232	938,677	1,478,521,909	9,489,613,470
Dividend paid (Note 45)	-	-	-	(943,145,500)	-	-	-	(943,145,500)
Total comprehensive income for the year	-	-	-	2,298,569,449	(15,926,283)	(1,494,814)	(17,421,097)	2,281,148,352
Balance as at 30 June 2011	1,886,291,000	1,276,037,500	200,000,000	6,004,187,010	1,461,656,949	(556,137)	1,461,100,812	10,827,616,322

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011 AND FOR THE YEAR ENDED 30 JUNE 2011

	Separate financial statements								(Unit: Baht)
	Other components of shareholders' equity								
	Other comprehensive income								
	Retained earnings				Unrealised		Total other		
Issued and paid-up share capital	Premium on ordinary shares	Appropriated statutory reserve	Unappropriated	on available-for-sale securities	loss on investments in loans	components of shareholders' equity	Total shareholders' equity		
Balance as at 30 June 2011	1,886,291,000	1,276,037,500	200,000,000	8,004,187,010	1,461,656,949	(556,137)	1,461,100,812	10,827,616,322	
Cumulative effect of change in accounting policy for employee benefits (Note 6.1)	-	-	-	(16,770,640)	-	-	-	(16,770,640)	
Dividend paid (Note 15)	-	-	-	(471,572,750)	-	-	-	(471,572,750)	
Total comprehensive income for the period	-	-	-	800,993,118	7,039,813	(79,449)	6,960,364	807,943,482	
Balance as at 31 December 2011	1,886,291,000	1,276,037,500	200,000,000	5,316,826,798	1,468,696,762	(635,586)	1,468,061,176	11,147,216,414	

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

# CLASH FLOW STATEMENTS

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011 AND FOR THE YEAR ENDED 30 JUNE 2011

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended	For the year ended	For the six-month periods ended	For the year ended
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
		(Restated)		
<b>Cash flows from operating activities</b>				
Profit before corporate income tax	907,197,274	1,768,744,543	977,937,598	2,610,974,487
Adjustments to reconcile profit before corporate income tax to net cash provided by (paid from) operating activities:				
Depreciation	473,538,035	833,676,699	171,122,667	331,492,693
Amortisation	5,337,670	12,589,130	3,406,588	6,578,276
Amortisation of underwriting fee	1,061,744	2,778,042	1,061,744	2,778,042
Amortisation of leasehold right and prepaid rental fee	39,563,615	76,505,437	26,559,490	53,118,980
Gains on sales of non-current assets held for sale	-	(17,798,927)	-	-
(Gains) losses on sales of investments	(6,633,826)	(5,400,409)	(7,723,565)	(1,200,559)
Gains and interest income of investments in loans	-	(1,917,691)	-	(1,917,691)
Losses on disposal of investment properties	213,000	-	213,000	-
Gains on disposal of property held for development	-	(586,188)	-	(586,188)
(Gains) losses on disposal of equipment	(845,475)	10,815,140	91,288	(1,270,063)
Losses on disposal of intangible assets	10,899	-	-	-
Allowance for impairment of plant and equipment	9,928,769	-	-	-
Unrealized loss on exchange rate	19,936,512	-	19,936,512	-
Allowance for doubtful debts	19,201,459	1,404,425	461,311	1,157,903
Allowance for diminution in value of inventories (reversal)	870,550	(773,957)	-	-
Loss on impairment of non-current assets held for sale from discontinued operations (reversal)	(4,681,415)	4,681,415	-	-
Income from rental deposits and revenue received in advance	(327,281,133)	(661,770,869)	(317,695,680)	(627,666,487)
Provision for employee benefits	4,112,310	-	1,331,506	-
Interest income	(115,592,288)	(186,828,911)	(65,853,646)	(190,433,075)
Interest expenses	153,162,082	356,229,248	176,011,062	445,457,140
Dividend income	(104,149,608)	(230,801,083)	(417,408,627)	(1,551,190,598)
Share of profit from investments in associates	(51,100,212)	(173,071,679)	-	-
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>1,021,849,962</b>	<b>1,788,274,365</b>	<b>569,451,228</b>	<b>1,077,292,860</b>
Net movements in operating assets and liabilities (Note 39)	(246,885,415)	(13,003,869)	(30,055,681)	(36,336,699)
<b>Cash flows from operating activities</b>	<b>774,964,547</b>	<b>1,775,270,496</b>	<b>539,395,567</b>	<b>1,040,956,161</b>
Cash paid for employee benefits	(244,948)	-	-	-
Cash paid for income tax	(228,557,112)	(1,003,981,369)	(165,264,498)	(420,288,250)
<b>Net cash flows from operating activities</b>	<b>546,162,487</b>	<b>771,289,127</b>	<b>374,131,069</b>	<b>620,667,911</b>

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



# CLASH FLOW STATEMENTS (Continued)

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011 AND FOR THE YEAR ENDED 30 JUNE 2011

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended	For the year ended	For the six-month periods ended	For the year ended
	<u>31 December 2011</u>	<u>30 June 2011</u>	<u>31 December 2011</u>	<u>30 June 2011</u>
	(Restated)			
<b>Cash flows from investing activities</b>				
Cash paid for current investments	(57,869,305)	(71,695,953)	(29,869,305)	(52,953,172)
Proceeds from sale of current investments	8,724,298	509,648,559	7,814,057	359,600,559
Proceeds from investments in loans	-	9,606,323	-	9,606,323
Cash paid for short-term loan to related companies	(54,500,000)	(5,300,000)	(1,036,107,225)	(1,188,595,775)
Refund from short-term loan to related companies	545,288	4,385,000	288,715,288	2,105,343,000
Cash paid for secured short-term and long-term loan	(131,880,000)	(1,229,925,686)	(28,500,000)	(63,200,000)
Refund from secured short-term and long-term loan	27,249,967	319,469,200	-	250,000,000
Interest received	61,062,584	168,938,039	69,811,732	190,803,200
Cash received from advance received - interest	729,966	30,000,000	-	-
Cash paid for purchase of investments in subsidiary	-	-	(1,253,000,000)	(3,801,994,000)
Cash paid for subsidiary acquisition - net of cash and cash equivalents in acquired subsidiary (Note 46)	-	(149,981,388)	-	(123,710,739)
Cash received from non-current assets held for sale	-	18,068,000	-	-
Cash paid for purchase of investments in associate	(419,463,595)	-	(71,795,719)	-
Cash paid for purchase of investments in other company	-	(77,054,172)	-	(104,809,065)
Cash received from decrease in investment in other companies	-	210,046	-	-
Dividend received from investments	137,302,728	370,682,281	417,408,627	1,551,190,598
Cash received from sales of property, plant and equipment and investment property	6,063,115	4,130,112	821,470	1,653,585
Cash paid for purchases of property, plant and equipment and investment property	(551,588,289)	(1,353,839,054)	(41,826,496)	(100,238,026)
Cash paid for purchases of intangible assets	(6,012,781)	(17,381,874)	(4,109,648)	(12,127,586)
Cash received from sales of property held for development	-	1,008,188	-	1,008,188
Cash paid for prepaid long-term rental fee	-	(85,000,000)	-	(85,000,000)
<b>Net cash flows used in investing activities</b>	<u>(979,636,024)</u>	<u>(1,554,032,379)</u>	<u>(1,680,637,219)</u>	<u>(1,063,222,910)</u>

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



# CLASH FLOW STATEMENTS (Continued)

## MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011 AND FOR THE YEAR ENDED 30 JUNE 2011

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended	For the year ended	For the six-month periods ended	For the year ended
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
	(Restated)			
<b>Cash flows from financing activities</b>				
Bank overdrafts	(258,105)	(9,168,261)	-	-
Proceed from short-term loans from related companies	12,107,225	150,500,000	1,279,537,000	2,443,825,000
Repayment of short-term loans from related companies	-	(9,000,000)	(328,860,000)	(3,025,030,000)
Proceeds from short-term loans from financial institutions	1,786,786,976	1,802,000,000	346,786,976	-
Repayment of short-term loans from financial institutions	(1,360,000,000)	(2,362,000,000)	-	-
Proceed from long-term loan from financial institution	-	338,000,000	-	-
Repayment of long-term loans from financial institutions	(128,000,000)	(448,884,760)	-	-
Repayment of long-term loans from related financial institutions	(13,500,000)	(27,000,000)	-	-
Rental revenues received in advance	111,463,058	427,876,725	106,623,036	386,985,224
Rental revenues received in advance paid to customer	(2,487,616)	-	(2,275,979)	-
Rental deposits received in advance	213,323,072	663,351,588	168,798,678	490,584,785
Rental deposits paid to customers	(184,297,689)	(535,149,697)	(160,226,016)	(466,471,732)
Interest paid	(195,666,552)	(340,967,452)	(219,164,742)	(428,889,877)
Dividend paid	(378,560,274)	(751,186,531)	(471,572,750)	(937,211,482)
Dividend paid to minority shareholders	(41,028,156)	(63,999,846)	-	-
Proceed from long-term debenture	698,878,440	4,994,382,004	698,878,440	4,994,382,004
Repayment of long-term debenture	(2,000,000,000)	(3,000,000,000)	(2,000,000,000)	(3,000,000,000)
<b>Net cash flows from financing activities</b>	<b>(1,481,259,621)</b>	<b>828,753,770</b>	<b>(581,495,357)</b>	<b>458,173,922</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,914,733,158)</b>	<b>46,010,518</b>	<b>(1,888,001,507)</b>	<b>15,618,923</b>
Cash and cash equivalents at beginning of period/year	2,569,558,843	2,523,548,325	2,291,271,589	2,275,652,666
<b>Cash and cash equivalents at the end of period/year</b>	<b>654,825,685</b>	<b>2,569,558,843</b>	<b>403,270,082</b>	<b>2,291,271,589</b>

### Supplemental cash flows information:

#### Non-cash transactions:

Unrealised gains (loss) on available-for-sale securities	(15,200,960)	48,283,147	7,039,813	(15,926,283)
Unrealised losses on investments in loans	(79,448)	(1,494,814)	(79,449)	(1,494,814)
Unrealised losses on investments in loans of associate	7,895,557	805,472	-	-
Translation adjustment of an associate	8,489,525	-	-	-

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

# NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

**MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2011  
AND FOR THE YEAR ENDED 30 JUNE 2011**

## **1. General information**

### **1.1 General information of the Company and its subsidiaries**

MBK Public Company Limited (the "Company") is a public company incorporated and domiciled in Thailand and listed on the Stock Exchange of Thailand. Its registered offices is 8th Floor MBK Center Building, 444 Phayathai Road, Pathumwan, Bangkok 10330. The principal business operations of the Company and its subsidiaries ("the Group") are summarised as follows:

- Shopping center and property for lease business
- Hotel and tour business
- Property development business
- Golf business
- Rice business
- Finance business
- Other businesses
- Support department

### **1.2 The agreement granting the right to utilise the shopping center at the Pathumwan intersection**

On 21 April 1983, the Company entered into agreements with Chulalongkorn University ("the university") for land rental and property development at the Pathumwan intersection for a period of 30 years, with an expiration date of 21 April 2013. At the end of the agreements, the Company has agreed to transfer all rights in building and property development constructed on the land under the lease agreements to the university.

On 14 June 2007, the Extraordinary General Shareholders' Meeting approved the entry of the lease agreements granting the right to utilise the shopping center at Pathumwan intersection for a period of 20 years (from 22 April 2013 to 21 April 2033). The Company agrees to make payments to the university in line with the agreements.



On 11 October 2007, the Cabinet approved the entry of the agreement granting the right to utilize the shopping center at the Pathumwan intersection and on 16 October 2007, the Company and the university co-signed the lease agreement. In addition, the Company paid Baht 2,519 million for the first right of refusal to enter into agreements with the university, and on 15 July 2009, the Company paid Baht 279 million for the registration of leasehold right - land and building to Department of Lands and those amounts are recorded as prepaid rental fee and classified as non-current asset in the statements of financial position.

## **2. Change of the accounting period**

The Group changed the accounting period from the period starting from 1 July to 30 June to the period starting from 1 January to 31 December according to a resolution of the Ordinary General Shareholders' Meeting on 31 October 2011, starting from the period ended 31 December 2011 onward. The Group is in the process of receiving the permission from the Revenue Department. The financial statements for the period ended 31 December 2011 have been prepared under this new accounting period, presented from 1 July 2011 to 31 December 2011.

## **3. Basis of preparation**

- 3.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

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

### 3.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of MBK Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”).

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			31 December	30 June
			2011	2011
			%	%
<b>Directly owned</b>				
Paradise Park Company Limited*	Shopping center and property for lease	Thailand	50.00	50.00
Siam Delice Company Limited*	Dormant	Thailand	50.00	50.00
MBK Bangyai Company Limited	Dormant	Thailand	99.97	99.97
Glas Haus Ratchada Company Limited	Property for lease and property development	Thailand	100.00	100.00
MBK Square Company Limited	Property management service	Thailand	99.97	99.97
MBK Smart Force Company Limited	Security service	Thailand	99.97	99.97
MBK Hotels and Resorts Company Limited	Hotel	Thailand	100.00	100.00
Supsinthanee Company Limited	Hotel	Thailand	100.00	100.00
Lanta Land Development Company Limited	Hotel	Thailand	99.99	99.99
MBK Business Company Limited	Personnel management service	Thailand	99.99	99.99
MBK Hospitality Management Company Limited	Hotel management	Thailand	99.99	99.99
Riverdale Golf and Country Club Company Limited	Golf course and property development	Thailand	99.99	99.99
Patum Rice Mill and Granary Public Company Limited	Rice mill production and distribution	Thailand	74.52	74.52
Primacy Elegance Investments Limited	Investment	British Virgin Island	100.00	100.00
MBK Premium Company Limited	Leasing and hire purchase	Thailand	100.00	100.00
T Leasing Company Limited	Motorcycle hire purchase	Thailand	99.99	99.99
X-Gen Premium Company Limited	Motorcycle dealer	Thailand	99.99	99.97
The Olympic Club Company Limited	Land rental	Thailand	100.00	100.00
MBK Center Company Limited	Dormant	Thailand	99.99	99.99
MBK Asset Company Limited	Dormant	Thailand	99.99	99.99
MBK Arcade Company Limited	Dormant	Thailand	99.99	99.97
MBK Training Center Company Limited	Training service	Thailand	99.97	-
MBK Life Assurance Broker Company Limited	Life assurance broker	Thailand	99.99	-
MBK Insurance Broker Company Limited	Insurance broker	Thailand	99.99	-
<b>Indirectly owned</b>				
The Nine Center Company Limited	Shopping center and property for lease	Thailand	99.98	99.98
Paradise Retail Company Limited***	Retail business in shopping center	Thailand	65.36	65.36
Glas Haus Building Company Limited	Property for lease	Thailand	99.99	99.99
MBK Entertainment Company Limited	Food center	Thailand	81.23	81.23
MBK Capital Company Limited	Land rental	Thailand	99.93	99.93
Absolute Travel Company Limited	Sale agents of air tickets	Thailand	99.99	99.99
MBK Food Island Company Limited	Dormant	Thailand	81.17	81.17
Tantara Gallery Company Limited	Dormant	Thailand	63.20	63.20



Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			31 December	30 June
			2011	2011
			%	%
MBK Resort Public Company Limited	Golf course and property development	Thailand	72.60	72.60
NASSET PROPERTY FUND <sup>†</sup>	Property fund	Thailand	72.45	72.45
Phuket Loch Palm Golf Club Company Limited	Dormant	Thailand	72.60	72.60
PRG Granary Company Limited	Silo rental and power distribution (cessation of power distribution since September 2010)	Thailand	74.51	74.51
Ratchsima Rice Company Limited	Distribution of rice service for rice polishing and machinery rental (cessation of distribution of rice and service for rice polishing since 2009)	Thailand	74.51	74.51
Sima Pac Company Limited**	Distribution and manufacture of plastic bags	Thailand	37.25	37.25
Plan Estate Company Limited	Property development for sale	Thailand	72.60	72.60
Crystal Lake Properties Company Limited	Property development for sale	Thailand	72.60	72.60
C L P Management Company Limited	Property management service	Thailand	72.60	72.60
Plan Appraisal Company Limited	Survey and appraisal services	Thailand	72.60	72.60
Lan Bangna Company Limited	Warehouse rental service	Thailand	72.60	72.60
MBK Guarantee Company Limited	Lending and debt guarantee business	Thailand	99.98	99.98
Kathu Land Company Limited	Dormant	Thailand	70.36	70.36
MBK Residence Company Limited	Dormant	Thailand	99.96	99.96
MBK Advance Company Limited	Dormant	Thailand	99.87	99.87

\* The Company has the direct holding of 50.00% and the indirect holding of 15.36% through Siam Piwat Company Limited, total direct and indirect holding of 65.36%.

\*\* The Group has control over the finance and operating policies of Sima Pac Company Limited, through the Board of Directors of that company.

\*\*\* The Company has the indirect holding of 65.36% through Paradise Park Company Limited.

During the six-month period ended 31 December 2011, there were the following significant changes:

During July 2011, the Company established of a new subsidiary company, named MBK Training Center Company Limited, with a registered share capital amounting to Baht 1 million. The Company holds 9,997 ordinary shares of such company with a par value of Baht 100 per share, a 99.97% holding.



On 13 July 2011, a resolution of the Extraordinary General Meeting of X-Gen Premium Company Limited's shareholders, a subsidiary, authorised, to increase registered capital from Baht 1 million to Baht 50 million, by issuing 490,000 new ordinary shares with a par value of Baht 100, a total of Baht 49 million and all share allocation to the Company. The Company paid in the called-up share subscription on 13 July 2011. The share capital increase of this subsidiary was registered with the Ministry of Commerce on 13 July 2011.

During October 2011, the Company established of two new subsidiaries, named MBK Life Assurance Broker Company Limited and MBK Insurance Broker Company Limited, with a registered share capital amounting to Baht 2 million each. The Company holds 19,997 ordinary shares of each company with a par value of Baht 100 per share, representing 99.99% holding.

On 16 November 2011, a resolution of the Extraordinary General Meeting of MBK Arcade Company Limited's shareholders, a subsidiary, authorised to increase registered capital from Baht 1 million to Baht 1,200 million, by issuing 11,990,000 new or ordinary shares with a par value of Baht 100, a total of Baht 1,199 million. The share allocation to the Company is 100.00% of total new shares. The Company paid in the called-up share subscription on 16 November 2011. The share capital increase of this subsidiary was registered with the Ministry of Commerce on the same date.

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

3.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

#### 4. Adoption of new accounting standards during the year

During the current period, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

##### Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

##### Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources



Financial Reporting Standard Interpretations:

TFRIC 15                      Agreements for the Construction of Real Estate

Accounting Standard Interpretations:

SIC 31                      Revenue-Barter Transactions Involving Advertising Services

These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

**TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Group previously accounted for such employee benefits when they were incurred.

The Group has changed this accounting policy in the current period and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change has the effect of decreasing the profit of the Group for the six-month period ended 31 December 2011 by Baht 4 million, or 0.03 Baht per share (Separate financial statements: decreasing profit by Baht 1 million, or decreasing earnings per share 0.01 Baht per share). The cumulative effect of the change in the accounting policy has been presented in Note 6 to the financial statements.

**TAS 18 (revised 2009) Revenue**

This accounting standard requires entities to recognise revenue from sales of goods, which includes real estate developed for sale, when significant risks and rewards are transferred to the buyer. Previously, the Group elected to use the installment based on gross margin method in recognising revenue from real estate sales. The Group changed this accounting policy in the current year and restated the prior year's financial statements, presented for comparative purposes, as though the Group initially recognised revenue from real estate sales when the significant risks and rewards were transferred to the buyer. The change has the effect of increasing profit attributable to equity holders of the Company for the six-month period ended 31 December 2011 by Baht 1 million (0.01 Baht per share). The cumulative effect of this change in accounting policy has been presented in Note 6.2 to the financial statements.

### TAS 23 (revised 2009) Borrowing Costs

This accounting standard requires entities to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously, the Group elected to expense such borrowing costs when incurred. The Group applies the new accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2011.

### TAS 40 Investment property

The Group records initial value of investment properties at cost, including transaction cost.

The amounts of reclassification of investment properties affecting the statement of financial position as at 30 June 2011 are summarised below.

	(Unit: Baht)	
	30 June 2011	
	Consolidated financial statements	Separate financial statements
<b>Statements of financial position</b>		
Increase in investment properties	5,669,809,137	387,839,445
Increase (decrease) in land held for development	580,619,063	(28,994,500)
Decrease in property, plant and equipment	(6,250,428,200)	(358,844,945)



## **5. New accounting standards issued during the years not yet effective**

The Federation of Accounting Professions issued the following new and revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied.

## **6. Cumulative effect of changes in accounting policies due to the adoption of new accounting standards**

### **6.1 Employee benefits**

During the current period, the Group made the change to its significant accounting policy described in Note 4 to the financial statements, as a result of the adoption of TAS 19 Employee Benefits. The cumulative effect of the change in the accounting policy has been separately presented in the statements of changes in shareholders' equity. The change has the effect to the balance of consolidated retained earnings brought forward as at 30 June 2011 decreased by Baht 41 million (provision for long-term employee benefits Baht 61 million, net from relevant deferred tax Baht 19 million) and separate financial statements decreased by Baht 17 million (Provision for long-term employee benefits Baht 24 million, net from relevant deferred tax Baht 7 million).



The amounts of adjustments affecting the statement of financial position as at 31 December 2011 and statement of comprehensive income for the six-month period ended 31 December 2011 are summarised below.

	(Unit: Baht)	
	31 December 2011	
	Consolidated financial statements	Separate financial statements
<b>Statements of financial position</b>		
Decrease in investments in associates	(12,239,419)	-
Increase in deferred tax asset	14,052,611	5,057,912
Decrease in other current liabilities	1,294,428	-
Increase in provision for long-term employee benefits	56,030,701	25,289,561
Decrease in unappropriated retained earnings	(52,581,713)	(20,231,649)
Decrease in non-controlling interests of the subsidiaries	(2,930,223)	-

	(Unit: Baht)	
	For the six-month period ended 31 December 2011	
	Consolidated financial statements	Separate financial statements
<b>Statements of comprehensive income</b>		
Increase in employee expenses	4,112,310	1,331,506
Decrease in share of income from investment in associates	4,257,178	-
Increase (decrease) in corporate income tax (Included the effect of changes in tax rate)	3,581,936	2,129,504
Decrease in profit attributable to equity holders of the Company	(11,816,543)	(3,461,010)
Decrease in non-controlling interests of the subsidiaries	(134,880)	-
Decrease in basic earnings per share (Baht)	0.08	0.02

## 6.2 Revenue recognition from real estate sales

As described in Note 4 to the financial statements, the Group changed the method in recognising revenue in real estate sales from the installment based on gross margin method to when significant risks and rewards are transferred to the buyer.

The Group changed this accounting policy in the current year and restated the prior year's financial statements, presented for comparative purposes, as though the Group initially recognised revenue from real estate sales when the significant risks and rewards were transferred to the buyer. The cumulative effect to the balance of consolidated retained earnings brought forward as at 30 June 2011 of the change in accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for revenue recognition in real estate sales" in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statement of financial position as at 30 June 2011 and the comprehensive income for the year ended 30 June 2011 are summarised below.

	(Unit: Baht)	
	30 June 2011	
	Consolidated	Separate
	financial statements	financial statements
<b>Statements of financial position</b>		
Increase in inventories	13,450,483	-
Increase in other current liabilities	5,275,794	-
Increase in unappropriated retained earnings	5,934,824	-
Increase in non-controlling interests of the subsidiaries	2,239,865	-

	(Unit: Baht)	
	For the year ended 30 June 2011	
	Consolidated	Separate
	financial statements	financial statements
<b>Statements of comprehensive income</b>		
Increase in sales	13,686,027	-
Increase in cost of sales	12,530,692	-
Increase in net profit attributable to equity holders of the Company	838,774	-
Increase in non-controlling interests of the subsidiaries	316,561	-
Decrease in basic earnings per share (Baht)	0.01	-



## **7. Significant accounting policies**

### **7.1 Revenue and expense recognition**

a) Revenue from hotel and restaurant operations

Revenue from hotel and restaurant operations mainly comprises room sales, food and beverage sales and revenues from auxiliary activities, and is recognised when the services are completed.

b) Rental and service income related with property business

Rental and related services income from units in office buildings, residential buildings and shopping centers are recognised as revenue as time passes.

c) Sales

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

d) Service income

Service revenue is recognised when services have been rendered taking into account the stage of completion.

e) Revenues from sales of land and house constructed thereon

The subsidiaries recognized revenues from sales of land and house constructed thereon and assigned ownership to buyers after receiving full payment from them. Since the group of customers who wanted to buy the properties had the limitation of ownership in land (mostly customers are foreigners), the subsidiaries were to make agreements in order to be legally enforced in the form of long-term lease contracts with customers for the period of 30 years with an option to renew the lease for the next 30 years or the maximum period as permitted by law. In this regard, the subsidiaries accounted for the revenues from such transactions as sales of properties in order to present the accounting transactions and events based on the substance and economic reality, not the legal form alone, to comply with the "Substance over Form" basis.

f) Hire purchase income

The subsidiary recognize interest income under hire purchase contracts under the effective interest method and ceases accruing interest income for hire purchases receivable on which payments have been defaulted for more than three months. Interest is then recognised as income on an accrual basis until settlement of the overdue debt has been received.

g) Interest income and dividend

Interest income is recognised as income on an accrual basis based on the effective interest rate. Dividends are recognised as income when the right to receive the dividends is established.

## 7.2 Cash and cash equivalent

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

## 7.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is based on analysis of debtor aging, current status of receivables outstanding at the end of reporting period, and the likelihood of settlement of debt, on a specific account basis.

## 7.4 Hire purchase receivable and allowances for doubtful accounts

Hire purchase receivable is stated at the net realisable value of which comprises of contract value of the hire purchase receivable net of unearned income, and allowance for doubtful accounts.

The subsidiary provides allowance for doubtful accounts at percentages of the outstanding balances of account receivable net of unearned interest income, based on the number of months overdue. For amounts no more than 3 months overdue, the Company sets allowance for doubtful accounts based on the amount of debt remaining after deducting the value of collateral assets.



Any increase (decrease) in an allowance for doubtful accounts is recognised as an expense during the period. In addition, the Company written off receivables as bad debts when the relevant criteria under tax law are met, and the amount written-off is deducted from allowance for doubtful accounts. Bad debts recovery is recognised as income in income statement.

## **7.5 Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost being determined by the weighted average or the first-in, first-out basis. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory. The cost of finished goods comprises direct materials, direct labour, other direct costs and related production overhead, the latter being allocated on the basis of normal operating activities. Net realisable value is the estimates of selling price in the ordinary course of business, less the costs of completion and selling expenses.

Inventories for development business of commercial building for sales, which comprise land, building and equipment, are valued at the lower of cost and net realisable value. The cost is determined by the specific unit cost method.

Inventories for property development business, which comprise land, land development cost, houses under constructions, for sales are valued at the lower of cost and net realisable value. The costs of inventories are determined by the specific unit cost method.

## **7.6 Property development costs**

Property development costs are stated at cost less allowance for loss of projects. Costs comprise the acquisition costs of land, land development costs, the construction costs of infrastructure and related other costs.

## **7.7 Investments**

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholders' equity, and will be recorded in profit or loss when the securities are sold.



- b) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income. The debt securities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity.
- c) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on impairment (if any).
- d) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- e) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined on the rate of return or the yield rates quoted by the Thai Bond Market Association. The fair value of unit trust is determined from unit trust's net asset value.

The Group use weighted average method for computation of the cost of investments.

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are recorded in profit or loss or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

## **7.8 Intangible assets**

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the profit or loss.

A summary of the useful lives of intangible assets with finite useful lives is as follows:

Computer software	3 - 10 years
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## **7.9 Leasehold right**

### **a) Leasehold right to land**

When a lessee enters into a land lease agreement, making payment to obtain the right to lease the land, or advance lease payments, or key money, under whatever name, the lessee recognises the amount paid as a prepaid rental expenses and amortises it to expenses over the lease term, in accordance with TAS 17 (revised 2009) Leases. This is because a characteristic of land is that it usually has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, and the lessee does not receive substantially all of the risks and rewards incidental to ownership, the lease agreement is classified as an operating lease. The lessee need to review for impairment at the end of each reporting period, whenever there are indicators that the leasehold right may be impaired.

### **b) Leasehold right to building**

Land lease agreement that requires the lessee to construct a building on the leased land and transfer ownership of this to the landowner when construction is completed, and which have a term shorter than the useful life of building, will have rental rates that are lower than market rates since a part of the rental is embedded in the construction expense paid by the lessee. The lessee is to separate the land and building elements based on the market rental rate, and if the lease term covers the majority of the economic life of the building, the entire lease is classified as a finance lease. The lessee recognises the entire lease as a fixed asset in amount equal to the cost of construction net of the allocation to land rental.



## **7.10 Goodwill**

Goodwill is initially recorded at cost, which equal to the excess of the cost of business combination over the fair value of the net assets. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Group estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

## **7.11 Property held for development**

Property held for development is presented at the cost less the allowance for loss on impairment of assets (if any).

## **7.12 Investment properties**

Investment properties are initially recorded of investment properties at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 5 - 40 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

### 7.13 Property, plant and equipment and depreciation

Land is stated at cost. Land improvement, building and building improvements, and equipment are stated at cost less accumulated depreciation and the allowance for impairment (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Land improvement	5 - 20 years
Buildings and building improvements	5 - 30 years and 40 years
Machinery and equipment	5 - 20 years
Furniture, fixture and office equipment	3 - 10 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation has been provided on land and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognized.

### 7.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



### **7.15 Treasury stock**

Treasury stock, which is the Company's ordinary shares purchased by its subsidiaries, is carried at cost and presented as a deduction item from the total shareholders' equity. Gains and losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to "Premium on treasury stock" or deducted from "Retained earnings".

### **7.16 Leases - where the Group is the lessee**

Leases of assets which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and or the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables while the interest element of the finance cost is charged to profit or loss over the lease period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease period.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

### **7.17 Leases - where the Group is the lessor**

Lease agreement under which the Company transfers the risks and rewards of ownership to the lessee, excluding legal ownership, is deemed finance lease. The Company recognized income from financial lease by using effective interest rate method over the lease term, except that payments that have been outstanding for 6 consecutive months are recognized as income on a cash basis.

### **7.18 Related party transactions**

Related parties comprise enterprises and individuals that control or are controlled by the Group, whether directly or indirectly, or which are under common control with the Group. In addition, related parties include associated companies and individuals which directly or indirectly own a voting interest in the Group that gives them significant influence over the Group, key management personnel, directors and officers with authority in the planning and direction of the Group's operations.

## 7.19 Employee benefits

### *Short-term employee benefits*

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

### *Post-employment benefits*

#### Defined contribution plans

The Group and their employees have jointly established a provident fund. The fund is monthly contributed by employee and the Group. The fund's assets are held in a separate trust fund and the Group's contributions are recognised as expenses when incurred.

#### Defined benefit plans

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits, the Group elected to recognise the transitional liability, through an adjustment to the beginning balance of retained earnings in the current period.

## 7.20 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.



## 7.21 Income tax

Income tax comprised current tax and deferred tax, as follows:

### Current tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

### Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At the end of each reporting period, the Group reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

## 7.22 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

### **7.23 Segment reporting**

Business segment provides products or services that are subject to risks and returns that are different from those of other business segments.

Segment information is presented by business segment of the Group.

### **7.24 Impairment of assets**

At the end of each reporting period, the Group performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Group also carries out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

### **7.25 Non-current assets held for sale and discontinued operations**

Non-current assets held for sales are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

No depreciation has been provided on plant and equipment once classified as held for sale.

## **8. Significant 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. Significant judgments and estimates are as follows:



## **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

## **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

## **Fair value of financial instruments**

In determining the fair values of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, with the calculation performed using an acceptable valuation basis. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

## **Impairment of equity investments**

The Group treats available-for-sale investments and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

## **Investment property**

In determining depreciation of investment properties, the management is required to make estimates of the useful lives and salvage values of the Company's investment properties and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review investment properties for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Goodwill and intangible assets**

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### **Deferred tax assets**

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.



## 9. Cash and cash equivalents

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Cash on hand	13,716,322	11,396,165	2,942,857	5,537,217
Cash at banks	326,115,694	1,235,164,073	100,327,225	985,734,372
Bills of exchange with maturity not over 3 months	314,993,669	1,322,998,605	300,000,000	1,300,000,000
Cash and cash equivalents	654,825,685	2,569,558,843	403,270,082	2,291,271,589

As at 31 December 2011, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.50 and 3.15 percent per annum (30 June 2011: between 0.25 and 3.00 percent per annum).

## 10. Current investments

(Unit: Baht)

	Consolidated financial statements			
	31 December 2011		30 June 2011	
	Cost	Fair value	Cost	Fair value
<b>Available-for-sale securities</b>				
Equity securities	2,424,525,770	4,254,617,645	2,394,746,937	4,496,237,448
Add: Unrealised gains on changes in values of investments	1,830,091,875	-	2,101,490,511	-
	4,254,617,645	4,254,617,645	4,496,237,448	4,496,237,448
<b>Held-to-maturity within 1 year debt securities</b>				
	28,000,000	28,000,000	-	-
	28,000,000	28,000,000	-	-
Current investments	4,282,617,645	4,282,617,645	4,496,237,448	4,496,237,448

(Unit: Baht)

	Separate financial statements			
	31 December 2011		30 June 2011	
	Cost	Fair value	Cost	Fair value
<b>Available-for-sale securities</b>				
Equity securities	1,943,115,239	3,778,986,216	1,913,336,406	4,001,417,761
Add: Unrealised gains on changes in values of investments	1,835,870,977	-	2,088,081,355	-
Current investments	<u>3,778,986,216</u>	<u>3,778,986,216</u>	<u>4,001,417,761</u>	<u>4,001,417,761</u>

The movements on current investments during the period/year are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month period ended	For the year ended	For the six-month period ended	For the year ended
	31 December 2011	31 June 2011	31 December 2011	31 June 2011
Opening net book value – net	4,496,237,448	4,867,664,808	4,001,417,761	4,329,616,423
Increase in investments	57,869,305	71,695,953	29,869,305	52,953,172
Sales of investments	(90,472)	(508,400,000)	(90,472)	(358,400,000)
Changes in fair values of available-for-sale securities	(271,398,636)	65,276,687	(252,210,378)	(22,751,834)
Closing net book value – net	<u>4,282,617,645</u>	<u>4,496,237,448</u>	<u>3,778,986,216</u>	<u>4,001,417,761</u>

During the current period, the Group sold the available-for-sale securities with book values totaling Baht 0.1 million (the Company only: Baht 0.1 million) and recognised gains (after tax) on the sales amounting to Baht 6 million (the Company only: Baht 6 million) in profit or loss. This amount included the gain transferred from the gain on valuation of the available-for-sale securities in other comprehensive income, amounting to Baht 0.1 Million (after tax) (the Company only: Baht 0.1 million).



## 11. Trade and other receivables

(Unit: Baht)

	Consolidated		Separate financial statements	
	financial statements			
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
<u>Trade receivables – related parties</u>				
Aging from the maturity				
Not yet due	934,820	8,471,081	2,349,427	3,031,119
Past due				
Overdue 1-30 days	2,693,434	1,588,023	468,169	890,027
Overdue more than 30 - 60 days	40,090	205,010	83,016	1,289,358
Overdue more than 60 - 90 days	201,124	449,372	101,843	395,455
Overdue more than 90 days	866,611	597,248	1,430,456	1,825,462
Total	4,736,079	11,310,734	4,432,911	7,431,421
Less: Allowance for doubtful accounts	(124,967)	-	(124,967)	(18,022)
Total trade receivables - related parties, net	4,611,112	11,310,734	4,307,944	7,413,399
<u>Trade receivables - unrelated parties</u>				
Aging from the maturity				
Not yet due	239,558,552	279,039,054	11,047,190	45,297,959
Past due				
Overdue 1-30 days	99,679,066	75,537,332	22,905,452	26,192,720
Overdue more than 30 - 60 days	28,756,240	14,285,127	2,746,052	6,123,598
Overdue more than 60 - 90 days	8,592,726	6,186,157	1,042,165	1,273,672
Overdue more than 90 days	15,346,876	22,702,878	2,932,091	3,127,800
Total	391,933,460	397,750,548	40,672,950	82,015,749
Less: Allowance for doubtful accounts	(11,582,814)	(15,420,837)	(3,836,039)	(3,481,673)
Total trade receivables – unrelated parties, net	380,350,646	382,329,711	36,836,911	78,534,076
Total trade receivables - net	384,961,758	393,640,445	41,144,855	85,947,475

(Unit: Baht)

	Consolidated		Separate financial statements	
	financial statements			
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
<u>Other receivables - related party</u>				
Advances - related party	-	-	-	51,500
Interest receivable - related party	188,269	1,093,240	189,485	3,771,681
Prepaid expenses - related party	13,899,366	5,994,119	13,894,812	4,938,771
Other receivables - related party	2,124,825	4,018,466	-	-
Total other receivables- related party	16,212,460	11,105,825	14,084,297	8,761,952
<u>Other receivables -unrelated party</u>				
Advances - unrelated party	5,305,126	-	-	-
Interest receivable - unrelated party	10,536,019	6,103,738	1,120,000	1,495,890
Prepaid expenses - unrelated party	31,137,303	24,611,599	15,950,824	7,055,381
Other receivables - unrelated party	70,848,857	15,131,352	7,325,261	5,420,973
Total other receivables- unrelated party	117,827,305	45,846,689	24,396,085	13,972,244
Total other receivables	134,039,765	56,952,514	38,480,382	22,734,196
Trade and other receivables - net	519,001,523	450,592,959	79,625,237	108,681,671

## 12. Hire purchase receivables

The average contract period of hire purchase receivables are 2 - 3 years with interest charged at the fixed rate as specified in the contracts. The remaining hire purchase receivables classify by due date are as follows:

(Unit: Baht)

	Consolidated financial statements			
	31 December 2011			
	Amounts due under the agreement			
	Less than 1 year	1 - 5 years	Non performing loans <sup>(3)</sup>	Total
Gross investment in the agreement	762,760,824	473,131,109	82,482,439	1,318,374,372
Unearned financial income (1)	(217,832,364)	(85,021,133)	(18,693,483)	(321,546,980)
Minimum payments over the hire purchase term	544,928,460	388,109,976	63,788,956	996,827,392
Allowance for doubtful accounts (2)				(55,141,612)
Hire purchase receivables - net				941,685,780
Less: Hire purchase receivables - portion due more than 1 year				(388,109,976)
Current portion of hire purchase receivables				553,575,804

(1) After deduction of commission and deferred initial direct costs of hire-purchase

(2) Because the Group is unable to separate allowance for doubtful accounts into that for the current portion (due within 1 year) and that for the long-term portion, all allowance for doubtful accounts is presented as a deduction against the current portion of hire purchase receivables.

(3) Non-performing loans are loans that cease revenue recognition on the accrual basis, presenting the current portion of receivables.



(Unit: Baht)

Consolidated financial statements				
30 June 2011				
Amounts due under the agreement				
	Less than 1 year	1 - 5 years	Non performing loans <sup>(3)</sup>	Total
Gross investment in the agreement	714,399,252	449,232,856	37,943,157	1,201,575,265
Unearned financial income <sup>(1)</sup>	(211,050,977)	(81,650,982)	(7,499,115)	(300,201,074)
Minimum payments over the hire purchase term	503,348,275	367,581,874	30,444,042	901,374,191
Allowance for doubtful accounts <sup>(2)</sup>				(32,227,097)
Hire purchase receivable - net				869,147,094
Less: Hire purchase receivable - portion due more than 1 year				(367,581,874)
Current portion of hire purchase receivables				501,565,220

(1) After deduction of commission and deferred initial direct costs of hire-purchase

(2) Because the Group is unable to separate allowance for doubtful accounts into that for the current portion (due within 1 year) and that for the long-term portion, all allowance for doubtful accounts is presented as a deduction against the current portion of hire purchase receivables.

(3) Non-performing loans are loans that cease revenue recognition on the accrual basis, presenting the current portion of receivables.

Hire purchase receivables were classified by aging from the maturity date as stated in the contract as follows:

(Unit: Baht)

Consolidated financial statements		
	31 December 2011	30 June 2011
Not yet due	574,492,062	668,260,129
Past due 1 - 3 months	371,763,118	203,259,599
Past due 3 - 6 months	39,651,289	19,233,794
Past due 6 - 12 months	2,656,840	969,863
Past due over 12 months	8,264,083	9,650,806
Total	996,827,392	901,374,191
Less: Allowance for doubtful accounts	(55,141,612)	(32,227,097)
Hire purchase receivable - net	941,685,780	869,147,094



### 13. Inventories

(Unit: Baht)

Consolidated financial statements						
	Cost		Decrease to net realisable value		Inventories - net	
	31 December	30 June	31 December	30 June	31 December	30 June
	2011	2011	2011	2011	2011	2011
	(Restated)				(Restated)	
Property development for sale	839,731,935	641,270,162	-	-	839,731,935	641,270,162
Finished goods	341,823,566	355,928,548	(2,156,307)	(2,012,306)	339,667,259	353,916,242
Raw materials	15,825,350	45,930,946	(726,549)	-	15,098,801	45,930,946
Supplies and equipment for operations	89,244,066	97,312,117	-	-	89,244,066	97,312,117
Food and beverage	14,569,670	13,593,298	-	-	14,569,670	13,593,298
Work in process	6,827,704	3,542,017	-	-	6,827,704	3,542,017
Total inventories	1,308,022,291	1,157,577,088	(2,882,656)	(2,012,306)	1,305,139,435	1,155,564,782

(Unit: Baht)

Separate financial statements						
	Cost		Decrease to net realisable value		Inventories - net	
	31 December	30 June	31 December	30 June	31 December	30 June
	2011	2011	2011	2011	2011	2011
Supplies and equipment for operations	32,105,668	31,651,051	-	-	32,105,668	31,651,051
Food and beverage	5,125,835	3,686,717	-	-	5,125,835	3,686,717
Total inventories	37,231,503	35,337,768	-	-	37,231,503	35,337,768

As at 31 December 2011, a subsidiary has pledged inventories of approximately Baht 296 million (30 June 2011: Baht 348 million) to secure a loan facility from a financial institution, as discussed in Note 24.

## 14. Other current assets

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December	30 June	31 December	30 June
	2011	2011	2011	2011
Deposit and advance	9,478,519	11,428,813	4,812,878	3,666,419
Loan to cooperative	4,000,000	4,000,000	4,000,000	4,000,000
Value added tax refundable	118,341,800	118,049,320	4,975,153	2,514,210
Withholding deducted at source	71,267,980	54,024,984	-	-
Others	46,499,046	21,528,043	1,151,208	1,489,673
Other current assets	249,587,345	209,031,160	14,939,239	11,670,302

## 15. Investments in associates

15.1 The movements on investments in associates during the period/year are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	Investment at equity method		Investment at cost method	
	For the six-month		For the six-month	
	period ended	For the year	period ended	For the year
	31 December	ended 30 June	31 December	ended 30 June
	2011	2011	2011	2011
For the period /years ended				
Book value at the beginning of period / year - net	2,105,450,622	2,071,109,470	1,817,054,617	1,817,054,617
Reclassify investments in other companies				
to Investments in associates	93,651,600	-	104,609,065	-
Cumulative effect of change in accounting policy				
for employee benefits	(8,833,676)	-	-	-
Increase in investments in associates	419,463,595	-	71,795,719	-
Share of income from investments in associates	51,100,212	173,071,679	-	-
Dividend received from associates	(33,153,120)	(139,881,200)	-	-
Other changes in investments in associates	11,356,890	1,150,673	-	-
Book value at the beginning of period / year - net	2,639,036,123	2,105,450,622	1,993,459,401	1,817,054,617

Investments in associates as at 31 December 2011 and 30 June 2011 comprise the following:

	Nature of business	Country of incorporation	Shareholding percentage both directly and indirectly owned	
			31 December	30 June
			2011	2011
			%	%
<b>Listed company</b>				
Royal Orchid Hotel (Thailand) Public Company Limited	Hotel	Thailand	29.77	29.77
<b>Nonlisted companies</b>				
Siam Piwat Company Limited	Shopping center and property for lease	Thailand	30.72	30.72
Max Asset Management Company Limited	Asset management	Thailand	16.56	16.56
Paemala Spa Company Limited	Spa	Thailand	25.00	25.00
Puen Pob Patt Company Limited	Dormant	Thailand	36.29	36.29
MBK Leisure Company Limited	Tour and hotel reservation service	Thailand	49.00	49.00
Apple Auto Auction (Thailand) Company Limited	Vehicle broker	Thailand	49.99	49.99
Innofood (Thailand) Company Limited	Development of rice product	Thailand	27.94	27.94
DMS Property Investment Private Limited	Hotel	Maldives	30.00	-
Lam Luk Ka Golf and Country Club Company Limited	Golf course	Thailand	26.37	-

(Unit: Baht)

Consolidated financial statements

	Cost		Carrying amount based on equity method		Share of profit (loss) from investments in associates during the six-month period/ year ended	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011	31 December 2011	30 June 2011
<b>Listed company</b>						
Royal Orchid Hotel (Thailand) Public Company Limited	730,319,260	730,319,260	446,434,630	493,903,519	(38,696,326)	(65,465,419)
<b>Nonlisted companies</b>						
Siam Piwat Company Limited	947,012,157	947,012,157	1,307,599,822	1,202,137,566	105,462,256	228,782,092
Max Asset Management Company Limited	94,723,200	94,723,200	337,138,678	361,105,470	8,441,344	16,094,968
Paemala Spa Company Limited	1,250,000	1,250,000	-	-	-	-
Puen Pob Patt Company Limited	479,530	479,530	-	-	-	-
MBK Leisure Company Limited	245,000	245,000	-	-	-	-
Apple Auto Auction (Thailand) Company Limited	45,000,000	45,000,000	41,849,793	44,541,680	(2,630,774)	(4,568,013)
Innofood (Thailand) Company Limited	7,874,600	7,874,600	3,016,498	3,762,387	(745,889)	(1,771,949)
DMS Property Investment Private Limited	347,667,876	-	338,651,595	-	(19,628,187)	-
Lam Luk Ka Golf and Country Club Company Limited	176,404,784	-	164,345,107	-	(1,102,212)	-
Investments in associates	2,350,976,407	1,826,903,747	2,639,036,123	2,105,450,622	51,100,212	173,071,679



(Unit: Baht)

	Separate financial statement			
	Investment at cost method		Dividend received for the six-month period	
			for the year ended	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
<b>Listed company</b>				
Royal Orchid Hotel (Thailand) Public Company Limited	730,319,260	730,319,260	-	-
<b>Nonlisted companies</b>				
Siam Piwat Company Limited	947,012,157	947,012,157	-	100,760,000
Max Asset Management Company Limited	94,723,200	94,723,200	33,153,120	35,521,200
Puen Pob Patt Company Limited	479,530	479,530	-	-
Apple Auto Auction (Thailand) Company Limited	45,000,000	45,000,000	-	3,600,000
Lam Luk Ka Golf and Country Club Company Limited	176,404,784	-	-	-
<b>Investments in associates</b>	<b>1,993,938,931</b>	<b>1,817,534,147</b>	<b>33,153,120</b>	<b>139,881,200</b>
Less: Allowance for impairment of investments	(479,530)	(479,530)		
<b>Investments in associates - net</b>	<b>1,993,459,401</b>	<b>1,817,054,617</b>		

In August 2011, the Company invested in the establishment of a new company, named DMS Property Investment Private Limited which is set up under the Law of Republic of Maldives, to operate the hotel business. The Company holds 11,550,000 ordinary shares of such company with a par value of USD 1 for a total USD 11.55 million or equivalent to Baht 348 million. The Company holds the shares representing 30% of the share capital and classifies the investment as an associate.

The Company sold investment in D M S Properties Company Limited, an associated company, in November 2011 of 11.55 million shares approximately 30% of its paid-up capitals in a price of 30.10 Baht per share, totallay amounting to Baht 348 million to MBK Hotels and Resort Company Limited, a subsidiary. The Company has no gain/loss on the sale of this investment. At present, the shares certificate of DMS Properties Company Limited is on the process of transferred right MBK Hotels and Resorts Company Limited.



In November 2011, the Company invested in Lam Luk Ka Golf and Country Club Company Limited by purchasing the additional common shares from the auction from Thanachart Capital Public Company Limited at a price of Baht 4.60 per share, for a total of Baht 61 million representing a 26.37% holding, making Lam Luk ka Golf and Country Club Company Limited, an associate.

## 15.2 Fair value of investment in associate which is listed company on the Stock Exchange of Thailand.

		(Unit: Million Baht)	
		Fair value	
		31 December 2011	30 June 2011
Royal Orchid Hotel (Thailand) Public Company Limited		477	586

## 15.3 Summarised financial information of associates

Company's name	(Unit: Million Baht)									
	Paid-up capital		Total assets		Total liabilities		Total revenues for the six-month period/year ended		Net income (loss) for the six-month period/year ended	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011	31 December 2011	30 June 2011	31 December 2011	30 June 2011	31 December 2011	30 June 2011
<b>Listed company</b>										
Royal Orchid Hotel (Thailand) Public Company Limited	937.50	937.50	1,433.23	1,581.87	587.34	593.48	293.58	648.46	122.50	(205.04)
<b>Nonlisted companies</b>										
Siam Piwat Company Limited	174.00	174.00	11,809.53	8,982.33	7,825.85	5,799.87	1,596.07	3,856.32	438.01	772.64
Max Asset Management Company Limited	572.00	572.00	1,483.59	1,616.04	118.33	107.01	85.64	160.57	56.50	111.75
Paemala Spa Company Limited	5.00	5.00	17.04	12.95	34.45	32.59	5.58	9.46	2.63	(2.43)
Puen Pob Patt Company Limited	1.00	1.00	0.63	0.64	0.13	0.13	—	1.66	—	0.59
MBK Leisure Company Limited	1.05	1.05	2.19	10.23	23.17	29.80	4.07	11.55	(1.41)	(1.99)
Apple Auto Auction (Thailand) Company Limited	90.00	90.00	124.77	204.01	41.04	114.92	46.19	100.37	(5.26)	(8.97)
Innofood (Thailand) Company Limited	21.00	21.00	9.58	10.88	1.47	0.78	1.02	4.73	(1.99)	(4.80)
DMS Property Investment Private Limited	1,157.53	—	2,252.12	—	1,124.64	—	—	—	(65.43)	—
Lam Luk Ka Golf and Country Club Company Limited	1,454.00	—	1,325.27	—	63.86	—	30.19	—	(10.06)	—

## 16. Investments in subsidiaries

During the current period, the movements on investments in subsidiaries in the separate financial statements are as follows:

	(Unit: Baht)	
	Separate financial statements	
	Investment at cost method	
	31 December 2011	30 June 2011
<b>For the period / years ended</b>		
Book value at the beginning of period / year - net	11,362,991,782	7,435,612,839
Increase in investments in subsidiaries	1,253,000,000	3,927,378,943
Book value at the end of period / year - net	<u>12,615,991,782</u>	<u>11,362,991,782</u>

Investments in subsidiaries as at 31 December 2011 and 30 June 2011 comprise the following:

	Paid-up capital		Shareholding percentage both directly and indirectly owned	
	31 December	30 June	31 December	30 June
	2011	2011	2011	2011
	Thousand Baht	Thousand Baht	%	%
<b>Listed company</b>				
Patum Rice Mill and Granary Public Company Limited	600,000	600,000	74.52	74.52
<b>Nonlisted companies</b>				
Riverdale Golf and Country Club Company Limited	4,000,000	4,000,000	99.99	99.99
MBK Hotels and Resorts Company Limited	2,200,000	2,200,000	100.00	100.00
Glas Haus Ratchada Company Limited	1,083,500	1,083,500	100.00	100.00
The Olympic Club Company Limited	700,000	700,000	100.00	100.00
MBK Business Company Limited	570,000	570,000	99.99	99.99
MBK Premium Company Limited	528,319	528,319	100.00	100.00
Supsinthanee Company Limited	505,325	505,325	100.00	100.00
MBK Asset Company Limited	300,000	300,000	99.99	99.99
Primacy Elegance Investments Limited	111	111	100.00	100.00
MBK Smart Force Company Limited	1,000	1,000	99.97	99.97
MBK Center Company Limited	2,000	2,000	99.99	99.99

	Paid-up capital		Shareholding percentage both directly and indirectly owned	
	31 December	30 June	31 December	30 June
	2011	2011	2011	2011
	Thousand Baht	Thousand Baht	%	%
<b>Nonlisted companies (continued)</b>				
MBK Arcade Company Limited	1,200,000	1,000	99.99	99.97
MBK Square Company Limited	1,000	1,000	99.97	99.97
Paradise Park Company Limited	100,000	100,000	65.36	65.36
MBK Hospitality Management Company Limited	5,000	5,000	99.99	99.99
T Leasing Company Limited	180,000	180,000	99.99	99.99
X-Gen Premium Company Limited	50,000	1,000	99.99	99.97
Siam Delice Company Limited	20,000	20,000	65.36	65.36
Lanta Land Development Company Limited	340,000	340,000	99.99	99.99
MBK Bangyai Company Limited	1,000	1,000	99.97	99.97
MBK Training Center Company Limited	1,000	-	99.97	-
MBK Insurance Broker Company Limited	2,000	-	99.99	-
MBK Life Assurance Broker Company Limited	2,000	-	99.99	-



The details of investment in subsidiaries is presented in separate financial statement, are as follows:

	(Unit: Baht)			
	Investment at cost method		Dividend received for the six-month period/year ended	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
<b>Listed company</b>				
Patum Rice Mill and Granary Public Company Limited	422,235,195	422,235,195	100,604,475	167,674,125
<b>Nonlisted companies</b>				
MBK Business Company Limited	570,000,000	570,000,000	41,800,000	39,875,000
Riverdale Golf and Country Club Company Limited	3,999,992,100	3,999,992,100	-	-
MBK Premium Company Limited	528,319,300	528,319,300	26,500,000	30,500,000
MBK Hotels and Resorts Company Limited	2,200,000,000	2,200,000,000	97,200,000	993,600,000
Supsinthanee Company Limited	500,005,325	500,005,325	10,500,000	16,000,000
MBK Asset Company Limited	300,000,000	300,000,000	-	-
The Olympic Club Company Limited	672,750,000	672,750,000	4,400,000	4,250,000
Primacy Elegance Investments Limited	110,900	110,900	-	-
MBK Smart Force Company Limited	1,344,939	1,344,939	5,280,000	2,800,000
MBK Center Company Limited	2,000,000	2,000,000	-	-
Glas Haus Ratchada Company Limited	1,000,015,000	1,000,015,000	30,500,000	-
MBK Arcade Company Limited	1,200,000,000	1,000,000	-	-
MBK Square Company Limited	1,000,000	1,000,000	1,700,000	-
Paradise Park Company Limited	518,900,172	518,900,172	-	-
MBK Hospitality Management Company Limited	5,000,000	5,000,000	-	-
T Leasing Company Limited	213,000,000	213,000,000	-	-
X-Gen Premium Company Limited	50,000,000	1,000,000	-	-
Siam Delice Company Limited	5,283,708	5,283,708	-	-
Lanta Land Development Company Limited	420,101,235	420,101,235	-	-
MBK Bangyai Company Limited	1,000,000	1,000,000	-	-
MBK Training Center Company Limited	1,000,000	-	-	-
MBK Insurance Broker Company Limited	2,000,000	-	-	-
MBK Life Assurance Broker Company Limited	2,000,000	-	-	-
<b>Investments in subsidiaries</b>	<b>12,616,057,874</b>	<b>11,363,057,874</b>	<b>318,484,475</b>	<b>1,254,699,125</b>
Less: Allowance for impairment of investments	(66,092)	(66,092)		
<b>Investments in subsidiaries, net</b>	<b>12,615,991,782</b>	<b>11,362,991,782</b>		



## 17. Other long-term investments

Other long-term investments as at 31 December 2011 and 30 June 2011 comprise the following:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Investments in loans	548,519	548,519	548,519	548,519
Investments in other companies	14,711,732	108,363,332	10,788,986	115,398,051
Other long-term investments	15,260,251	108,911,851	11,337,505	115,946,570

## 18. Loans

The Group has finance business segment which operated in lending business with secured short-term and long-term loans. Details are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Installment receivables	95,343,179	99,497,154	15,956,080	18,998,375
Short-term loans	640,900,000	630,900,000	-	-
Long-term loans	1,693,590,562	1,598,960,530	1,059,000,000	1,030,500,000
Total	2,429,833,741	2,329,357,684	1,074,956,080	1,049,498,375
Less: Current portion of installment receivables, short- term and long-term loans	(779,184,990)	(675,748,910)	(5,247,296)	(7,355,233)
Net of current portion	1,650,648,751	1,653,608,774	1,069,708,784	1,042,143,142

- a) Part of long-term loans amounting to Baht 1,059 million is secured loan to Mah Boonkrong Sirichai Enterprise Company Limited ("Mah Boonkrong") as follows:

(Unit: Million Baht)

	Interest rate	Due date	Principle
Loan to totaling Baht 800 million	MOR - 2%	27 June 2013	800
Loan to totaling Baht 124 million	MOR - 2%	30 September 2014	124
Loan to totaling Baht 135 million	MOR - 2%	At call	135
			1,059

Loans amounting to Baht 800 million have been restructured under restructure agreement. The Company acquired all 800,000 ordinary shares of Mah Boonkrong from the previous shareholders at a price of Baht 1 per share, or for total of Baht 800,000. As a result, the Company's shareholding in Mah Boonkrong is 100.00%. Mah Boonkrong has assets, which comprise of land, golf course infrastructure, club house and a hotel building. On 5 October 2009, the Company has also made an agreement to sell or to buy the shares of Mah Boonkrong, whereby the former shareholders are able to buy back the shares at the prices set in the agreement by 30 September 2014.

As a result of the Company purchasing shares of Mah Boonkrong with an agreement to sell back, as mentioned above, the previous group of shareholders is entitled to derive economic benefits from the use of assets and has obligations to repair and maintain the assets in good condition, and to insure the assets until they buy back the shares per the timetable above. Given these factors the substance of this transaction is still a secured loan receivable and so the Company classifies the purchase of shares in Mah Boonkrong amounting to Baht 800,000 as part of secured loans to other company.

- b) The remaining of short-term and long-term loans, are loans to persons and companies secured by the pledged/mortgaged of assets specified in the loan agreements and carried interest at rates of a commercial bank. Long-term loans are mature between 2-30 years.

## 19. Investment properties

The net book value of investment properties as at 31 December 2011 and 30 June 2011 is presented below.

(Unit: Baht)

	Consolidated financial statements				
	Land and land				
	Land awaiting	improvement	Building	Construction in	
	sales	for rent	for rent	progress	Total
<b>As at 31 December 2011</b>					
Cost	876,324,237	1,129,986,097	7,781,724,728	60,360,274	9,848,395,336
Less: Accumulated depreciation	-	(1,340,698)	(4,186,292,529)	-	(4,187,633,227)
Less: Allowance for impairment	-	-	(32,114,899)	-	(32,114,899)
Net book value	876,324,237	1,128,645,399	3,563,317,300	60,360,274	5,628,647,210
<b>As at 30 June 2011</b>					
Cost	927,125,765	1,093,981,250	7,094,355,681	564,748,011	9,680,210,707
Less: Accumulated depreciation	-	-	(3,978,286,672)	-	(3,978,286,672)
Less: Allowance for impairment	-	-	(32,114,898)	-	(32,114,898)
Net book value	927,125,765	1,093,981,250	3,083,954,111	564,748,011	5,669,809,137

(Unit: Baht)

Separate financial statements				
	Land awaiting sales	Building for rent	Construction in progress	Total
<b>As at 31 December 2011</b>				
Cost	28,781,500	2,705,964,968	6,420,077	2,741,166,545
Less: Accumulated depreciation	-	(2,406,178,898)	-	(2,406,178,898)
Net book value	28,781,500	299,786,070	6,420,077	334,987,647
<b>As at 30 June 2011</b>				
Cost	28,994,500	2,681,234,774	21,333,137	2,731,562,411
Less: Accumulated depreciation	-	(2,343,722,966)	-	(2,343,722,966)
Net book value	28,994,500	337,511,808	21,333,137	387,839,445



A reconciliation of the net book value of investment properties for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 is presented below.

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month		For the six-month	
	period ended	For the year	period ended	For the year
	31 December	ended 30 June	31 December	ended 30 June
	2011	2011	2011	2011
Net book value at beginning of period / year	5,669,809,137	5,302,206,590	387,839,445	447,738,001
Acquisition of assets	218,986,152	738,179,091	9,817,134	61,477,467
Disposals - net book value	(213,000)	(422,001)	(213,000)	(422,001)
Adjustment	(50,588,526)	-	-	-
Depreciation charged	(209,346,553)	(370,154,543)	(62,455,932)	(120,954,022)
Net book value at end of period / year	5,628,647,210	5,669,809,137	334,987,647	387,839,445

The fair value of the investment properties, including leasehold rights, with total book value as at 31 December 2011 of 6,141 million (The Company only: 406 million) is stated below:

(Unit: Baht)

	31 December 2011	
	Consolidated	Separate
	financial statements	financial statements
Land awaiting sales	2,154,484,000	53,764,000
Land and land improvement for rent	1,871,590,250	-
Building for rent	4,754,277,250	1,240,000,000

The fair value of the above investment properties have been determined based on appraisal values performed by an independent appraiser. The fair value of the land awaiting sale and land/land improvement for rent have mainly been determined based on market approach, while that of the building for rent has been determined using income approach. Main assumptions used in the valuation are yield rate, inflation rate, long-term vacancy rate and long-term growth in real rental rates.



Subsidiaries have mortgaged parts of the investment properties with aggregate net book value in consolidated financial statements as at 31 December 2011 of Baht 2,705 million (30 June 2011: Baht 2,807 million) with local financial institutions as collateral for long-term credit facilities granted by these financial institutions, as discussed in Note 27.

## 20. Land held for development

Land held for development as at 31 December 2011 and 30 June 2011 comprises land of the following companies.

	Consolidated financial statements		Separate financial statements	
	31 December	30 June	31 December	30 June
	2011	2011	2011	2011
Glas Haus Ratchada Company Limited	381,045,467	381,045,467	-	-
Riverdale Golf & Country Club Company Limited	396,309,818	396,309,818	-	-
The Nine Center Company Limited	214,803,745	214,803,745	-	-
Plan Estate Company Limited	17,161,264	86,601,264	-	-
MBK Residence Company Limited	13,380,999	20,310,618	-	-
	<u>1,022,701,293</u>	<u>1,099,070,912</u>	<u>-</u>	<u>-</u>

**21. Property, plant and equipment - net**

	Consolidated financial statements						(Unit: Baht)
	Buildings and		Furniture,		Motor	Construction	
	Land and land Improvement	building improvements	Machinery and equipment	fixture and office equipment			
Cost							Total
1 July 2010	1,692,120,560	2,548,323,405	1,083,403,470	1,368,293,622	113,642,330	178,743,412	6,984,526,799
Acquisitions	63,810,859	19,068,105	75,378,296	81,680,511	4,745,002	149,077,001	393,760,374
Acquisitions of subsidiaries during the year	156,262,001	228,130,200	12,920,136	26,402,669	8,517,747	130,540	432,363,283
Disposals	(347,781)	(1,279,992)	(23,117,258)	(14,813,897)	(7,686,964)	(200,000)	(47,445,892)
Transfer to intangible assets	-	-	-	(303,615)	-	-	(15,454,589)
Transfer to non-current assets held for sale	-	(147,499,521)	(266,111,543)	-	-	-	(413,611,064)
Transfer	6,303,535	57,771,969	29,421,058	11,692,903	-	(105,189,465)	-
Reclassification	40,534,634	-	-	-	-	-	40,534,634
30 June 2011	1,958,683,808	2,704,514,166	911,884,159	1,472,952,193	119,218,715	207,410,514	7,374,673,555
Accumulated depreciation							
1 July 2010	126,179,084	1,414,841,637	882,224,612	739,925,002	69,176,701	-	3,232,347,036
Depreciation - cost	67,559,367	167,619,321	65,832,657	146,029,216	12,979,407	-	460,019,968
Depreciation - transfer to property development	-	-	3,480,352	-	1,749,168	-	5,229,520
Depreciation - acquisitions of subsidiaries during the year	-	71,557,954	10,997,378	21,150,748	6,926,269	-	110,632,349
Accumulated depreciation - disposals	-	(1,112,740)	(22,982,965)	(13,305,778)	(7,482,287)	-	(44,883,770)
Accumulated depreciation - transfer to non-current assets held for sale	-	(66,362,308)	(225,475,638)	-	-	-	(291,838,146)
30 June 2011	193,738,451	1,586,543,864	714,076,196	893,799,188	83,349,258	-	3,471,506,957
Allowance for impairment of asset							
1 July 2010	11,247,987	102,223,233	-	108,136	-	-	113,579,356
30 June 2011	11,247,987	102,223,233	-	108,136	-	-	113,579,356
Net book value							
30 June 2011	1,753,697,370	1,015,747,069	197,817,963	579,044,869	35,869,457	207,410,514	3,789,587,242
Depreciation for the year							
2011 (Baht 381 million include in cost of service and rental, and the remaining balance included in selling and administrative expense)							460,019,968

(Unit: Baht)

	Consolidated financial statements					
	Land and land improvement	Buildings and building improvements	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicles	Construction in progress
Cost						Total
1 July 2011	1,558,683,808	2,704,514,166	911,894,159	1,472,952,193	119,218,715	207,410,514
Acquisitions	659,213	5,852,655	8,720,601	38,787,543	7,787,198	175,189,765
Disposals	(46,747)	(4,545,415)	(7,578,430)	(8,459,153)	(10,715,532)	(31,345,277)
Transfer to intangible assets	-	-	-	(191,170)	-	(191,170)
Transfer from non-current assets held for sale	-	132,428,099	221,743,137	-	-	-
Transfer	6,315,135	32,654,983	13,269,198	48,958,195	-	(101,197,511)
Adjustment	(7,022,041)	-	-	-	-	-
31 December 2011	1,858,588,368	2,870,904,486	1,148,048,865	1,552,047,608	116,300,381	281,402,768
<b>Accumulated depreciation</b>						
1 July 2011	193,738,451	1,586,543,864	714,076,196	893,799,188	83,349,258	-
Depreciation - cost	34,916,038	77,774,454	50,532,508	94,351,366	6,617,116	-
Depreciation - transfer to property development	-	-	130,817	-	-	-
Accumulated depreciation - disposals	-	(1,457,383)	(6,753,045)	(7,917,553)	(9,999,676)	-
Accumulated depreciation - transfer from non-current assets held for sale	-	51,559,916	181,107,475	-	-	-
31 December 2011	228,654,489	1,714,420,871	939,063,951	980,233,001	79,966,698	-
<b>Allowance for impairment of asset</b>						
1 July 2011	11,247,987	102,223,233	-	108,136	-	-
Reclassification	-	-	-	47,244	-	-
31 December 2011	11,247,987	102,223,233	-	155,380	-	-
<b>Net book value</b>						
31 December 2011	1,718,686,892	1,054,260,384	208,984,914	571,659,227	36,333,683	271,521,243
<b>Depreciation for the period</b>						
For the six-month period ended 31 December 2011 (Baht 219 million include in cost of service and rental, and the remaining balance included in selling and administrative expense)						284,191,482

(Unit: Baht)

Separate financial statements						
	Furniture, fixture and					
	Building	Machinery and equipment	office equipment	Motor vehicles	Construction In progress	Total
<b>Cost</b>						
1 July 2010	1,042,731,187	137,585,724	856,233,877	33,226,413	59,543,716	2,129,320,917
Acquisition	-	8,973,430	17,270,377	1,622,525	10,904,362	38,770,694
Disposal	-	(937,384)	(4,127,286)	(4,836,500)	-	(9,901,170)
Transfer to intangible asset - computer software	-	-	(303,615)	-	(15,150,974)	(15,454,589)
Transfer	-	2,837,750	2,077,050	-	(4,914,800)	-
30 June 2011	1,042,731,187	148,459,520	871,150,403	30,012,438	50,382,304	2,142,735,852
<b>Accumulated depreciation</b>						
1 July 2010	853,143,696	92,522,478	322,435,335	14,138,440	-	1,282,239,949
Depreciation - cost	63,195,829	13,022,586	129,003,784	5,314,917	-	210,537,116
Accumulated depreciation - disposal	-	(937,291)	(3,733,725)	(4,836,497)	-	(9,507,513)
30 June 2011	916,339,525	104,607,773	447,705,394	14,616,860	-	1,483,269,552
<b>Net book value</b>						
30 June 2011	126,391,662	43,851,747	423,445,009	15,395,578	50,382,304	659,466,300
<b>Depreciation for the year</b>						
2011 (Baht 163 million include in cost of service and rental, and the remaining balance included in administrative expense)						210,537,116



(Unit: Baht)

**Separate financial statements**

	<b>Furniture, fixture and office equipment</b>					<b>Motor vehicles</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost</b>	<b>Building</b>	<b>Machinery and equipment</b>	<b>office equipment</b>					
1 July 2011	1,042,731,187	148,459,520	871,150,403		30,012,438		50,382,304	2,142,735,852
Acquisition	-	4,786,378	15,792,562		1,126,730		12,996,656	34,702,326
Disposal	-	(4,621,710)	(5,726,689)		(3,377,710)		-	(13,726,109)
Transfer	-	-	47,219,440		-		(47,219,440)	-
31 December 2011	1,042,731,187	148,624,188	928,435,716		27,761,458		16,159,520	2,163,712,069
<b>Accumulated depreciation</b>								
1 July 2011	916,339,525	104,607,773	447,705,394		14,616,860		-	1,483,269,552
Depreciation - cost	31,597,915	6,654,717	68,080,738		2,333,365		-	108,666,735
Accumulated depreciation - disposal	-	(3,931,291)	(5,520,201)		(3,361,859)		-	(12,813,351)
31 December 2011	947,937,440	107,331,199	510,265,931		13,588,366		-	1,579,122,936
<b>Net book value</b>								
31 December 2011	94,793,747	41,292,989	418,169,785		14,173,092		16,159,520	584,589,133
<b>Depreciation for the period</b>								
For the six-month period ended 31 December 2011 (Baht 86 million include in cost of service and rental, and the remaining balance included in administrative expense)								108,666,735

As at 31 December 2011, a subsidiary has mortgaged parts of machinery and buildings with aggregate net book values in consolidated financial statements of Baht 6 million (30 June 2011 : Baht 7 million) as collateral for loan facilities granted by a local bank, as discussed in Note 24.

Power plant and equipment of a subsidiary with net book value of Baht 96 million is part of the discontinued operations and in process of consideration to sale.

As at 31 December 2011 and 30 June 2011, certain plant and equipment items have been fully depreciated, but these items are still in active uses, the amounts would be as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Original cost before accumulated depreciation of plant and equipment	631,774,714	591,198,068	108,749,427	101,681,775

## 22. Intangible assets

Intangible assets which are software as at 31 December 2011 and 30 June 2011 are as follows:

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
<b>As at 31 December 2011</b>		
Cost	110,651,504	66,099,256
Less: Accumulated amortisation	(53,894,644)	(31,092,034)
Net book value	56,756,860	35,007,222
<b>As at 30 June 2011</b>		
Cost	104,481,553	61,989,608
Less: Accumulated amortisation	(48,580,075)	(27,685,446)
Net book value	55,901,478	34,304,162

A reconciliation of the net book value of intangible assets for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 is presented below.

	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Net book value at beginning of period / year	55,901,478	33,573,405	34,304,162	13,301,817
Acquisition of computer software	6,012,781	17,381,874	4,109,648	12,127,585
Transfer from property, plant and equipment	191,170	15,454,589	-	15,454,589
Amortisation	(5,337,670)	(10,508,390)	(3,406,588)	(6,579,829)
Write off	(10,899)	-	-	-
Net book value at end of period / year	56,756,860	55,901,478	35,007,222	34,304,162

(Unit: Baht)

## 23. Other non-current assets

	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Goodwill (Note 23.1)	73,482,945	73,482,945	-	-
Others	5,665,022	5,568,316	74,896	74,896
Total other non-current assets	79,147,967	79,051,261	74,896	74,896

(Unit: Baht)

### 23.1 Goodwill

Goodwill as at 31 December 2011 and 30 June 2011 comprise goodwill on business combination in the following associates and subsidiaries:

	Consolidated financial statements	
	31 December 2011	30 June 2011
Siam Piwat Company Limited	64,579,128	64,579,128
Plan Estate Company Limited	989,766	989,766
Absolute Travel Company Limited	700,001	700,001
Crystal Lake Properties Company Limited	7,214,050	7,214,050
Total	73,482,945	73,482,945

(Unit: Baht)



Goodwill represents the excess of the cost of investment over the fair value of assets acquired and liabilities assumed at acquisition date. Since 1 July 2008, the Group has discontinued the amortisation of goodwill and tested impairment, in compliance with TFRS 3 (revised 2009).

## 24. Bank overdrafts and short-term loans from financial institutions

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Bank overdrafts	3,695	261,800	-	-
Short-term loans from financial institutions	936,703,488	490,000,000	366,703,488	-
Bank overdrafts and short-term loans from financial institutions	<u>936,707,183</u>	<u>490,261,800</u>	<u>366,703,488</u>	<u>-</u>

As at 31 December 2011, the Company has unsecured short-term loan represents promissory note to a foreign commercial bank amounting to USD 11.52 million or equivalent to Baht 367 million, bearing interest at 2.48% per annum. Such loan is due by 27 February 2012. Under the terms and conditions of the loan agreement, the Company has to comply with certain restrictions and maintain certain financial ratios.

As at 31 December 2011, short-term loans from financial institutions of a subsidiary of Baht 560 million (30 June 2011: Baht 490 million) are secured by the pledge of inventories, machinery, building and treasury stock held by subsidiaries as described in Notes 13, 21 and 33, respectively.

## 25. Trade accounts payable and other payables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Trade accounts payable - unrelated party	209,223,920	148,258,796	11,467,097	9,713,673
Accrued interest expenses - related party	1,216	-	-	545,893
Accrued interest expenses -unrelated party	83,452,698	125,958,384	83,194,953	125,802,740
Other accounts payable - related party	557,923	1,115,614	38,537,344	49,196,497
Other accounts payable -unrelated party	149,372,588	363,947,609	52,185,869	91,273,281
Accrued expenses	<u>221,930,237</u>	<u>191,422,651</u>	<u>63,951,736</u>	<u>97,512,918</u>
Total trade accounts payable and other payable	<u>664,538,582</u>	<u>830,703,054</u>	<u>249,336,999</u>	<u>374,045,002</u>



## 26. Other current liabilities

Other current liabilities as at 31 December 2011 and 30 June 2011 comprise the following:

	Consolidated		Separate	
	financial statements		financial statements	
	31 December	30 June	31 December	30 June
	2011	2011	2011	2011
Deferred income	32,266,991	28,648,649	8,244,179	8,223,203
Current portion of unearned installment Income	15,865,963	19,370,530	-	-
Deposit - property development project	55,938,831	11,356,740	-	-
Unearned property tax	86,776,687	42,711,413	55,904,432	29,210,016
Unearned output tax	3,406,151	2,785,123	2,388,106	2,785,123
Unearned interest	26,580,178	75,610,995	-	-
Accrued dividend	68,250,910	63,034,561	68,250,910	63,034,561
Others	111,636,876	116,278,245	9,385,177	10,076,035
Total	<u>400,722,587</u>	<u>359,796,256</u>	<u>144,172,804</u>	<u>113,328,938</u>

## 27. Long-term loans from financial institutions

			(Unit: Baht)	
			Consolidated financial	
			statements	
	Interest rate	Due date	31 December	30 June
			2011	2011
Loans from financial institution	MLR less a fixed percentage	August 2015, June 2016	1,175,960,000	1,303,960,000
Loans from financial institution - related company	MLR	December 2013	56,412,000	69,912,000
Total			1,232,372,000	1,373,872,000
Less: Current portion			(303,000,000)	(293,000,000)
Total long-term loans - net of current portion			<u>929,372,000</u>	<u>1,080,872,000</u>

The loan is guaranteed by the Company and an associated company and the mortgage of leasehold rights with net book value as at 31 December 2011 of Baht 32 million (30 June 2011: Baht 32 million) and investment properties of a subsidiary with net book value in consolidated financial statement as at 31 December 2011 of Baht 2,705 million (30 June 2011: Baht 2,807 million), as described in Note 19.

## 28. Long-term debentures

				(Unit: Baht)	
				Consolidated/Separate	
				financial statements	
	Interest rate			31 December	30 June
Type of debentures	(per annum)	Period	Due date	2011	2011
Unsubordinated and unsecured debentures					
- 1/2008	6.04%	3 years	3 July 2011	-	2,000,000,000
- 1/2010	3.00%	3 years	16 July 2013	3,000,000,000	3,000,000,000
- 1/2011	4.05%	5 years	9 March 2016	2,000,000,000	2,000,000,000
- 2/2011	5.00%	7 years	9 August 2018	300,000,000	-
- 3/2011	4.95%	7 years	24 August 2018	400,000,000	-
Total				5,700,000,000	7,000,000,000
Less: Underwriting fee on debenture issuance				(4,408,990)	(4,349,174)
				5,695,591,010	6,995,650,826
Less: Current portion				-	(1,999,986,077)
Long-term debentures – net of current portion				5,695,591,010	4,995,664,749

Under the terms and conditions of the debentures, the Company has to comply with certain restrictions and maintain certain financial ratios.

## 29. Long-term lease payable

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Long-term lease payable	170,000,000	170,000,000	170,000,000	170,000,000
Less: Current portion of long-term lease payable	(85,000,000)	(85,000,000)	(85,000,000)	(85,000,000)
Long-term lease payable – net of current portion	85,000,000	85,000,000	85,000,000	85,000,000

The Company has capital commitment under a long-term leasehold right contract with a public university under the contract amount of Baht 840 million. The Company paid a total amount of Baht 670 million and has an outstanding balance of Baht 170 million.

### 30. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which is compensations on employees' retirement, was as follows:

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 6)	52,163,339	23,958,055
Current service cost	3,154,686	903,002
Interest cost	957,624	428,504
Benefits paid during the period	(244,948)	-
Balance at end of period	56,030,701	25,289,561

Long-term employee benefit expenses included in the profit or loss for the six-month ended 31 December 2011 amounted to Baht 4 million (The Company only: Baht 1 million).

Significant assumptions used in estimating underlying actuarial techniques as at estimation date can be summarised as follows:

	Consolidated financial statements	Separate financial statements
	(% per annum)	(% per annum)
Discount rate	4%	4%
Future salary increase rate	4 - 7 %	4 - 7 %
Staff turnover rate (depending on employee's age)	Age < 55 years: 3 - 20% Age > 55 years: 0%	Age < 55 years: 15% Age > 55 years: 0%



### 31. Other non-current liabilities

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Unearned installment income	6,100,552	53,618,249	-	-
Deposits received	41,776,606	24,785,936	-	-
Others	11,366,628	9,360,166	10,607,270	8,093,479
Other non-current liabilities	59,243,786	87,764,351	10,607,270	8,093,479

### 32. Statutory reserve

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

### 33. Treasury stock

Treasury stocks represented the Company's shares held by subsidiaries which have been presented in the consolidated financial statements by applying the cost method, apportioned accounting to holding of the Group.

As at 31 December 2011, a subsidiary has pledged and/or entered into a negative pledge agreement on the treasury stock of 34.8 million shares, with book value (cost method) at end of reporting period amounting to Baht 712 million (30 June 2011: 34.8 million shares, Baht 712 million) to secure bank overdraft and short-term loan facilities from banks, as discussed in Note 24.

### 34. Equity attributable to the Company's shareholders

According to the accounting treatment guidance for the treasury stock of the entity issued by the Federation of Accounting Professions, the main content of presentations and the disclosures is concluded that the treasury stock is not an asset but the reduction of the obligations over the entity's assets. The entity should present the treasury stock as a deducting item from the shareholders' equity subsequent to retained earnings. In case a subsidiary acquires its parent company's stocks, the parent company should present such share acquisition on the same basis as if it purchases its own shares.



However, as if the above interpretation of such guidance is required for the separate financial statements, the reconciliation of shareholders' equity and the investments in subsidiaries is presented as follows.

	(Unit: Baht)	
	Separate financial statements	
	31 December	30 June
	2011	2011
Total shareholders' equity - as stated in statements of financial position	11,147,216,414	10,827,616,322
Less: Treasury stock held by subsidiaries	(711,993,784)	(711,993,784)
Equity attributable to the Company's shareholders - after less treasury stock held by subsidiaries	<u>10,435,222,630</u>	<u>10,115,622,538</u>
Investments in subsidiaries - as stated in statements of financial position	12,615,991,782	11,362,991,782
Less: Treasury stock held by subsidiaries	(711,993,784)	(711,993,784)
Investments in subsidiaries	<u>11,903,997,998</u>	<u>10,650,997,998</u>

### 35. Provident fund

The Group and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Group contributed to the fund monthly at the rate 3 - 10% of basic salary. The fund, which is managed by Thanachart Fund Management Co., Ltd. will be paid to employees upon termination in accordance with the fund rules. During the six-month period ended 31 December 2011, the Group contributed Baht 17 million (For the year ended 30 June 2011: Baht 29 million) to the fund.

### 36. Expenses by nature

Significant expenses by nature for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 are as follows:

	(Unit: Baht)	
	Consolidated	Separate
	financial statements	financial statements
	For the	For the
	six-month	six-month
	period ended	period ended
	31 December	31 December
	2011	2011
Cost of sales of properties	21,348,869	-
Salaries and wages and other employee benefits	609,745,640	221,030,632
Depreciation	473,538,035	171,122,667
Amortisation expenses	5,337,670	3,406,588
Loss on exchange	19,993,646	19,993,646
Transportation expenses	30,547,170	-
Brokerage and promotion expenses	94,803,623	8,100,133
Power supply expenses	12,237,873	-
Rental expenses	17,671,369	-
Repair and maintenance operating expenses	48,601,477	17,643,880
Raw materials and consumables used	970,274,550	-
Changes in inventories of finished goods and work in progress	19,278,500	-

### 37. Corporate income tax

Corporate income taxes of the Company and its listed subsidiary for the six-month period ended 31 December 2011 have been calculated on taxable income at rates of 30% on income before income tax (For the year ended 30 June 2011: 25% on earnings of up to Baht 300 million, and 30% on income over Baht 300 million) after adding back provisions and certain expenses which are disallowed for tax computation purposes, deducting dividends exempted from income tax and adjusting deferred tax expenses.

Corporate income taxes of its other subsidiaries for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 have been calculated at the rates of 15 - 30% on income before income tax, after adding back provisions and certain expenses which are disallowed for tax computation purposes, deducting dividends exempted from income tax, and adjusting deferred tax expenses.

The income tax (income) expenses of the Company and the subsidiaries for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 are as follows:

	Consolidated financial statements		Separate financial statements	
	For the six-month period ended 31 December 2011	For the year ended 30 June 2011	For the six-month period ended 31 December 2011	For the year ended 30 June 2011
(Unit: Baht)				
<b>Current income tax:</b>				
Current income tax charge for the period/year	240,054,884	449,132,130	174,017,926	308,289,176
Adjustment in respect of current income tax of previous year	2,645,654	641,074	(1,045,966)	647,161
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	9,255,256	(6,771,599)	(883,973)	3,468,701
Effects of changes in the applicable tax rates	(27,843,687)	-	4,866,493	-
<b>Income tax expense reported in the statement of comprehensive income</b>	<u>224,112,107</u>	<u>443,001,605</u>	<u>176,954,480</u>	<u>312,405,038</u>



The amounts of income tax relating to each component of other comprehensive income for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 are as follows:

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
	For the six-month period ended 31 December 2011	For the six-month period ended 31 December 2011
	For the year ended 30 June 2011	For the year ended 30 June 2011
Unrealised gains (loss) on investments in available-for-sale securities	(76,407,121)	16,546,063
Unrealized loss on investments in loans	-	(640,634)
Unrealised loss on investments in loans of an associate	223,495	345,202
Acquisition cost of subsidiary	-	40,988,110
Translation adjustment of an associate	3,183,572	-
Effects of changes in the applicable tax rates	(244,757,298)	-
<b>Income tax expense reported in the statement of other comprehensive income (income)</b>	<b>(317,757,352)</b>	<b>57,238,741</b>



Reconciliations between tax expense and the product of accounting profit multiplied by the applicable tax rate for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month period ended 31 December 2011	For the year ended 30 June 2011	For the six-month period ended 31 December 2011	For the year ended 30 June 2011
Accounting profit before share of income from investments in associates	856,097,062	1,595,672,864	977,937,598	2,610,974,487
Applicable tax rates of 15 - 30%	15 - 30%	15 - 30%	30%	25 - 30%
Accounting profit before income tax				
Multiplied by tax rates	255,990,468	462,969,633	293,381,279	768,292,346
Adjustment in respect of current income tax of previous year	2,645,654	641,074	(1,045,966)	647,161
Effects of changes in the applicable tax rates	(27,843,687)	-	4,866,493	-
Effects of Non-deductible expenses and income exempted from income tax	(6,680,328)	(20,609,102)	(120,247,326)	(456,534,469)
Income tax expenses reported in the statement of comprehensive income	224,112,107	443,001,605	176,954,480	312,405,038

The details of deferred tax liabilities as at 31 December 2011 and 30 June 2011 are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
<b>Deferred tax asset</b>				
Allowance for impairment of assets	22,850,357	34,275,534	-	-
Provision for long-term employee benefits	11,215,631	-	5,057,912	-
Timing differences of depreciation of buildings	-	-	4,941,374	6,794,390
Timing differences of accounting and taxable income recognition	8,110,780	17,556,298	-	-
	42,176,768	51,831,832	9,999,286	6,794,390
<b>Deferred tax liabilities</b>				
Timing differences of depreciation of buildings	7,263,687	11,022,199	-	-
Costs of business purchase - subsidiary	115,221,134	172,831,701	-	-
Unrealised gains for investments in available-for-sale securities	357,581,111	612,778,788	367,174,215	626,424,407
Unrealised gain (losses) for investments in loans	(158,896)	(238,344)	(158,896)	(238,344)
Unrealised gains for investments in loans of associate	14,748,138	21,898,712	-	-
Translation adjustment of an associate	2,122,381	-	-	-
Share of income from investments in associates	89,817,490	132,788,454	-	-
	586,595,045	951,081,510	367,015,319	626,186,063

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Group reflected the changes in tax rates in its deferred tax calculation, as presented above.

As at 31 December 2011 the Group has deductible temporary differences, unused tax losses and unused tax credits totaling Baht 478 million (30 June 2011: Baht 431 million), on which deferred tax assets have not been recognised as the Group believes that they might not be used to offset taxable income in the future.

### 38. Earnings per share

Basic earnings per share is calculated by dividing net income attribute to equity holders of the parent for the period / year (not included other comprehensive income) by the weighted average number of ordinary shares in issue during the period / year as held by third parties.

The weighted average number of ordinary shares for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 are as follows:

	(Unit: Shares)	
	Consolidated/separate financial statements	
	For the six-month period ended	For the year ended
	31 December 2011	30 June 2011
Ordinary shares issued and paid - up	188,629,100	188,629,100
Less: Treasury stock held by subsidiaries	(37,204,075)	(37,204,075)
Weighted average number of shares held by third parties	151,425,025	151,425,025

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	For the six-month period ended	For the year ended	For the six-month period ended	For the year ended
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
		(Restated)		
Profit for the period / year (Baht)	654,408,359	1,294,315,126	800,983,118	2,298,569,449
Weighted average number of ordinary shares (shares)	151,425,025	151,425,025	151,425,025	151,425,025
Earnings per share (Baht/share)	4.32	8.55	5.29	15.18



The Company calculated the weighted average number of ordinary shares as if the treasury stock of a subsidiary was the treasury stock of the Company, which had the effect of increasing the Company's earnings per share in the separate financial statements for the six-month period ended 31 December 2011 from Baht 4.25 per share to Baht 5.29 per share (earnings per share for the year ended 30 June 2011 from Baht 12.19 per share to Baht 15.18 per share).

### 39. Net movements in operating assets and liabilities

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	For the six-month period ended 31 December 2011	For the year ended 30 June 2011	For the six-month period ended 31 December 2011	For the year ended 30 June 2011
<b>(Increase) decrease in operating assets</b>				
Trade accounts receivable and other accounts receivable	(72,445,937)	(138,317,088)	24,637,034	(52,374,361)
Installment receivables	4,153,976	32,379,658	3,042,295	13,819,477
Hire purchase receivables	(95,453,201)	(107,417,380)	-	-
Deposits and advances	-	(2,783,882)	-	(1,895,708)
Inventories	(73,944,767)	166,476,928	(1,893,735)	2,264,045
Other current assets	(40,556,186)	(42,478,805)	(3,268,937)	(4,269,120)
Restricted fixed deposits	(114,856)	2,200,375	-	-
Other assets	(96,706)	1,618,529	-	-
<b>Increase (decrease) in operating liabilities</b>				
Trade accounts payable and other accounts payable	(23,598,490)	70,841,664	(79,780,937)	434,214
Other current liabilities	83,691,317	22,536,127	25,627,517	8,369,676
Liabilities under finance lease agreement - related companies	-	-	(932,689)	(4,796,926)
Other liabilities	(28,520,565)	(18,059,995)	2,513,791	2,112,004
<b>Net movements in operating assets and liabilities</b>	<b>(246,885,415)</b>	<b>(13,003,869)</b>	<b>(30,055,661)</b>	<b>(36,336,699)</b>

**40. Promotional privileges**

Sima Pac Company Limited has received promotional privileges from the Board of Investment on 17 October 1997 for plastic bag production. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 8 years from the dates of Sima Pac Company Limited is derived its operating income on 1 September 1998 and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the tax exemption period ends.

During the second quarter period ended 31 December 2006, Sima Pac Company Limited has received promotional privileges from the Board of Investment for the manufacturer of film plastics pursuant to the promotion certificate No. 2104(2)/2549 issued on 5 October 2006. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues (23 March 2007).

The Group's sales for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 are divided according to promoted and non-promoted operations as below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month period ended 31 December 2011	For the year ended 30 June 2011	For the six-month period ended 31 December 2011	For the year ended 30 June 2011
Sales - promoted activities	3,639,126	7,638,261	-	-
Sales - non promoted activities	1,155,024,707	2,545,400,811	-	-
Total	1,158,663,833	2,553,039,072	-	-



## **41. Commitments and contingencies**

### **41.1 Capital commitments**

As at 31 December 2011, the Group has the capital commitments for construction relating to shopping center, hotel, property development projects and golf course by segment as follows:

	<u>Million Baht</u>
Shopping center and property for lease business	51.08
Hotel and tour business	15.45
Property development business	50.45
Golf business	29.04
Other business	6.26
Total	<u>152.28</u>

### **41.2 Long-term service commitments**

As at 31 December 2011, the Group has future minimum lease payments required under these non-cancellable operating leases contracts are as follows:

	<u>Million Baht</u>
<u>Payable within:</u>	
Less than 1 year	78.53
1 to 5 years	89.77
More than 5 years	137.99
Total	<u>306.29</u>

### **41.3 Guarantees**

41.3.1 As at 31 December 2011, there are outstanding bank guarantees of approximately Baht 140.63 million issued by the banks on behalf of the Group in respect of certain performance bonds as required in the normal course of business.

41.3.2 On 5 September 2011, the Company entered into Corporate Guarantee Agreement and Pledge of Shares Agreement with a local commercial bank to guarantee the borrowing of DMS Property Investment Private Limited, an associate, with the bank according to the portion of investment in such associate representing 30% of its share capital. The associate has total loan facilities amounting to USD 40 million and the outstanding loan as at 31 December 2011 was USD 31 million or equivalent to Baht 948 million.

#### 41.4 Commitment to provide services to golf members

A subsidiary has a commitment to provide services to golf members, which were transferred from the previous owner with the golf course at the acquisition date. The details of membership contracts are as follows:

	Number of contracts	Membership fee range (Baht per contract)
Permanent contracts	265	200,000 - 630,000

Under the terms and conditions of membership contracts, the subsidiary will not receive any additional membership fee from all transferred members until the periods of such contracts have been expired including not receiving the green fee from transferred permanent members perpetually on the acquisition date. The subsidiary could not estimate the present value of all relevant costs that may occur from providing services to those permanent members. However, such costs were considered to reduce projected net cash flow in the future that reflects in the fair value at the acquisition date, and to determine the current range of rental fee of the golf course.

## 42. Financial instruments

### 42.1 Financial risk management

The Group's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans to, investments and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### Credit risk

The Group is exposed to credit risk primarily with respect to trade accounts receivable, loans to, other receivable. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Group does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans to, other receivables as stated in the statement of financial position.



## Interest rate risk

The exposures of the Group to interest rate risk relate primarily to their deposits with financial institutions, loan receivables, overdrafts, debentures and loans. However, since most of the Group's 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.

Significant financial assets and liabilities as at 31 December 2011 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	Consolidated financial statements						
	Fixed interest rates			Floating	Non-interest	Total	Interest rate
	Within	5 - 10		interest			
	1 year	1 - 5 years	years	rate	bearing		(% p.a.)
<b>Financial assets</b>							
Cash equivalents (excluding cash)	315	-	-	326	-	641	0.50 - 3.15
Trade and other receivables	-	-	-	-	519	519	-
Installment receivables	5	12	1	77	-	95	6.06 - 9.63
Hire purchase receivable	554	388	-	-	-	942	23.88 - 27.60
Short-term loans to related company	-	-	-	75	-	75	5.15 - 7.625
Short-term loans	381	-	-	260	-	641	8.875 - 13.250
Long-term loans	-	387	-	1,307	-	1,694	5.15 - 13.25
	1,255	787	1	2,045	519	4,607	

(Unit: Million Baht)

## Consolidated financial statements

	Consolidated financial statements						
	Fixed interest rates			Floating		Total	Interest rate (% p.a.)
	Within 1 year	5 - 10 1 - 5 years years	Floating interest rate	Non-interest bearing			
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							
from financial institutions	937	-	-	-	-	937	1.48 - 7.15
Trade and other payables	-	-	-	-	664	664	-
Short-term loans from related company	-	-	-	189	-	189	5.15 - 5.55
Long-term loans from financial							
institution	-	-	-	1,232	-	1,232	5.00 - 5.75
Long-term debentures	-	4,996	700	-	-	5,696	3.00 - 6.04
	937	4,996	700	1,421	664	8,718	

(Unit: Million Baht)

## Separate financial statements

Separate financial statements

	Fixed interest rates			Floating			
	Within		5 - 10	interest	Non-interest		
	1 year	1 - 5 years	years	Rate	bearing	Total	interest rate
							(% p.a.)
<b>Financial assets</b>							
Cash equivalents (excluding cash)	300	-	-	100	-	400	0.50 - 3.15
Trade and other receivables	-	-	-	-	80	80	-
Installments receivables	-	-	-	16	-	16	9.25 - 9.63
Short-term loans to related company	-	-	-	1,573	-	1,573	5.15 - 5.55
Long-term loan	-	-	-	1,059	-	1,059	5.15 - 5.55
	300	-	-	2,748	80	3,128	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							
from financial institutions	367	-	-	-	-	367	2.48
Trade and other payables	-	-	-	-	249	249	-
Short-term loans from related							
companies	-	-	-	3,454	-	3,454	5.15 - 5.55
Long-term liabilities under financial							
lease agreements - related							
company	4	8	-	-	-	12	5.80 - 7.94
Long-term debentures	-	4,996	700	-	-	5,696	3.00 - 6.04
	371	5,004	700	3,454	249	9,778	



### Foreign currency risk

The Company and its subsidiary are expose to foreign exchange risk which arises from trading transactions and loans denominated in foreign currencies are summarised below.

	Foreign currency	Financial assets/liabilities as at 31 December 2011 (Unit)	Average exchange rate as at 31 December 2011 (Baht per 1 foreign currency unit)
Trade receivables	USD	1,774,900	31.45
Short-term loan	USD	11,520,000	31.83

A subsidiary has sold forward exchange contracts for expose foreign exchange risk which arises from trading transactions. Outstanding on 31 December 2011 are summarised below.

Foreign currency	Sold amount (Unit)	Contractual exchange rate (Baht per 1 foreign currency unit)	Maturity date
USD	2,440,041	30.1150 - 31.3313	27 January 2012 – 21 March 2012

A subsidiary has option contract outstanding at 31 December 2011 are summarised below.

Foreign currency	Sold amount (Unit)	Contractual exchange rate (Baht per 1 foreign currency unit)	Maturity date
USD	500,000	29.85	11 January 2012

### Fair values of financial instruments

The methods and assumptions used by the Group in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable and short-term loans to, accounts payable and short-term loans from, their carrying amounts in the statements of financial position approximate their fair value.
- For debts and equity securities, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

- c) For fixed rate debentures and long-term loans, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- d) For debentures and long-term loans carrying interest approximate to the market rate, their carrying amounts in the statements of financial position approximates their fair value.

Fair value of traded long-term debentures has been determined based on quoted bid price from the Thai Bond Market Association at the statements of financial position date.

As at 31 December 2011, the carrying amount and fair value of long-term debentures are as follows:

	(Unit: Baht)	
	Consolidated/separate financial statements	
	<u>Carrying amount</u>	<u>Fair value</u>
Long-term debentures	5,695,591,010	5,696,181,610

### 43. Segment information

The Groups' business operations involve 8 principal segments: (1) Shopping center and property for lease (2) Hotel and tour (3) Golf (4) Property development business (5) Rice (6) Finance business (7) Other businesses and (8) Support department. These operations are mainly carried on in Thailand. Below is the consolidated financial information by segment.

For the six-month period ended 31 December 2011										(Unit: Thousand Baht)
	Shopping center and property for lease		Property development		Rice	Finance	Others	Support department	Elimination of inter-segment revenues	Total
	Hotel and tour	Golf	Property development	Rice	Finance	Others	Support department	Elimination of inter-segment revenues	Total	
Revenue from external customers	1,722,547	553,311	133,578	109,903	1,157,672	229,609	69,023	1	-	3,975,644
Inter-segment revenues	44,762	117,483	48	5,799	993	4,587	-	560	(175,232)	-
Total revenues	1,767,309	670,794	133,626	116,702	1,158,665	234,196	69,023	561	(175,232)	3,975,644
Segment operating profit (loss)	767,727	10,259	(33,097)	(13,604)	(48,907)	51,075	(1,479)	(36)	-	731,938
Unallocated income and expenses:										
Interest income										31,846
Dividend income										104,150
Gains on sales of investments										8,634
Other income										120,769
Share of income from investments in associates										51,100
Finance costs										(141,240)
Corporate income tax										(224,112)
Net loss for the period for Non-controlling interest of the subsidiaries										(28,877)
Net income attributable to equity holder of the Company										654,408
(Unit: Thousand Baht)										
	As at 31 December 2011									
	Shopping center and property for lease		Golf	Property development	Rice	Finance	Others	Elimination of inter-segment revenues		
	Hotel and tour									
Property, plant and equipment - net	134,420	1,497,170	1,834,422	21,283	355,519	4,429	11,299	(7,126)		
Unallocated assets								3,861,416		
Total assets								23,203,638		
								27,065,054		

	As at 31 December 2011								(Unit: Thousand Baht)
	Shopping center and property for lease	Hotel and tour	Golf	Property development	Rice	Finance	Others	Elimination of inter-segment revenues	Total
Property, plant and equipment - net	134,420	1,497,170	1,834,422	21,283	355,519	4,429	11,299	(7,126)	3,861,416
Unallocated assets									23,203,638
Total assets									27,065,054



(Unit: Thousand Baht)

For the year ended 30 June 2011

	Shopping center and property for lease	Hotel and tour	Golf	Property development	Rice	Finance	Others	Elimination of inter-segment revenues	Total
Revenue from external customers	3,106.88	998,279	306,412	307.88	2,552.4	373,164	73,011		7,718,070
Inter-segment revenues	82.78	208,446	508	14.48	5	12,065		(318.88)	-
Total revenues*	3,189.67	1,206,725	306,920	322.36	2,553.0	385,229	73,011	(318.88)	7,718,070
Segment operating profit (loss)*	1,284.47	37,516	(10,094)	(3.71)	(9.8)	87,819	(81)		1,385,355
Unallocated income and expenses:									
Interest income									50,767
Dividend income									230,801
Gains on sales of investment									5,400
Other income*									194,641
Share of income from investments in associates									173,072
Finance costs									(281,291)
Corporate income tax									(443,002)
Net loss for the year for Non-controlling interest of the subsidiaries									(31,428)
Net income attributable to equity holder of the Company									1,294,315

\* Total revenues segment operating profit (loss) and other income included revenues and loss of discontinued operating and other income in rice business for the year ended 30 June 2011 amounting to Baht 13.91 million, Baht (12.83) million and Baht 17.83 million, respectively.

	Shopping center and property for lease	Hotel and tour	Golf	Property development	Rice	Finance	Others	Elimination of inter-segment revenues	Total
Property, plant and equipment - net	142,966	1,511,193	1,861,124	21,970	246,275	4,246	9,292	(7,479)	3,789,587
Non - current asset held for sale									116,822
Unallocated assets									24,572,232
Total assets									28,478,641

As at 30 June 2011

(Unit: Thousand Baht)

The Group has applied the pricing policies described in Note 44 to set the transfer prices.



## 44. Related party transactions

During the period/year, the Company and its subsidiaries had the significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and its subsidiaries and those related parties.

### Transactions with related party

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	For the six-month period ended 31 December 2011	For the year ended 30 June 2011	For the six-month period ended 31 December 2011	For the year ended 30 June 2011	
<b>Transactions with subsidiary companies</b> (eliminated from the consolidated financial statements)					
Rental income	-	-	9	18	Market prices
Consulting fees	-	-	2	3	The same rates as the third parties
Project management and sales commission income	-	-	-	1	The same rates as the third parties
Personnel expense	-	-	104	187	115% of salary of hotel staff paid by a subsidiary for parent company
Hotel management fee	-	-	11	18	Contract price
Security expense	-	-	24	50	115% of the cost of security services paid by a subsidiary for parent company
Debt guarantee fee	-	-	5	12	1% of loan drawdown amounts
Interest income	-	-	27	60	MOR rate less a fix percentage
Interest expense	-	-	72	198	MOR rate less a fix percentage
<b>Transactions with associated companies</b>					
Shared service income	1	2	1	2	Market prices
Dividend income	33	140	33	140	As declared
Project management and sales commission income	6	10	-	-	The same rates as the third parties
Interest income	1	1	1	-	MOR rate less a fix percentage
Interest expense	5	2	-	-	MOR rate less a fix percentage

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	For the six-month period ended 31 December 2011	For the year ended 30 June 2011	For the six-month period ended 31 December 2011	For the year ended 30 June 2011	
<b>Transactions with related companies</b>					
Income from rental deposits	3	5	3	5	Market prices
Rental income	65	90	12	22	Market prices
Dividend income	67	160	65	156	As declared
Project management and sales commission income	42	68	-	-	The same rates as the third parties
Hotel franchise fee	1	1	1	1	The same rates as the third parties
Insurance expense	14	32	11	19	The same rates as the third parties
Interest income	-	9	-	5	MOR rate less a fix percentage
Interest expense	2	4	-	-	MOR rate less a fix percentage

### **Purchase of ordinary shares of Lam Lukka Golf and Country Club Company Limited**

On 7 July 2010, a resolution of a Board of Directors' meeting authorised the Company purchased the ordinary shares of Lam Lukka Golf and Country Club Company Limited from MBK Resort Public Company Limited and related parties, acquiring 11,316,269 ordinary shares at a price of Baht 4.60 per share, for a total of Baht 52.05 million. The Company made the payment of the share subscription between August 2010 and November 2010.

### **Purchase of ordinary shares of Siam Delice Company Limited**

The Company purchases the ordinary shares of Siam Delice Company Limited from Siam Piwat Holding Company Limited as discussed in Note 46.1.

### **Guarantee for associate**

The Company entered into Corporate Guarantee Agreement for a loan of an associate as described in Note 41.3 to the financial statements. There was no guarantee fee because the loan was guaranteed by all shareholders based upon shareholding proportion.

As at 31 December 2011 and 30 June 2011, the balances of the accounts between the Company and those related companies are as follows:

		(Unit: Million Baht)			
		Consolidated financial statements		Separate financial statements	
		31 December 2011	30 June 2011	31 December 2011	30 June 2011
Note					
	<b><u>Current investments – Available-for-</u></b>				
	<b><u>sales securities</u></b>				
10	Related companies	3,926	4,172	3,475	3,702
	<b><u>Trade receivables</u></b>				
11	Associated companies	1	1	1	1
	Related companies	4	10	3	6
	Total trade receivables	5	11	4	7
	<b><u>Short-term loans to</u></b>				
	Subsidiaries	-	-	1,524	826
	Associated companies	75	21	49	-
	Total short-term loans from	75	21	1,573	826
	<b><u>Short-term loans from</u></b>				
	Subsidiaries	-	-	3,454	2,503
	Related companies	189	177	-	-
	Total short-term loans from	189	177	3,454	2,503
	<b><u>Other payables</u></b>				
25	Subsidiaries	-	-	39	49
	Associated companies	1	1	1	1
	Total other payables	1	1	40	50
	<b><u>Other current assets – prepaid</u></b>				
	<b><u>Insurance premium</u></b>				
14	Related companies	21	6	17	5
	<b><u>Current liabilities – advance rental</u></b>				
	<b><u>deposit and rental deposit</u></b>				
26	Related companies	23	14	2	12
	<b><u>Long-term liabilities under finance</u></b>				
	<b><u>lease agreements</u></b>				
	Subsidiaries	-	-	13	13
	<b><u>Long-term loans from a financial</u></b>				
	<b><u>institution</u></b>				
27	Related companies	56	70	-	-



The loans from related companies represent short-term loans for working capital and repayable at call. The loans bear interest at MOR rate less a fixed percentage of a local commercial bank which is 5.15% - 5.55% per annum (30 June 2011: 6.15% - 7.15% per annum).

Liabilities under finance lease agreements represent financial lease liabilities for the lease motor vehicles from a Subsidiary for 60 - 72 monthly installments. Interest rates are 6.40% - 8.25% per annum.

The movements on short-term loans to and accrued interest income from related companies are as follows:

(Unit: Million Baht)				
Consolidated financial statements				
	Balance as at 30 June 2011	Addition	Receipt	Balance as at 31 December 2011
<b>Short-term loans to</b>				
MBK Leisure Company Limited	16	5	-	21
Paemala Spa Company Limited	5	-	-	5
Lam Lukka Golf and Country Club Company Limited	-	50	(1)	49
	<u>21</u>	<u>55</u>	<u>(1)</u>	<u>75</u>
<b>Short-term loans from</b>				
Siam Piwat Holding Company Limited	177	12	-	189
	<u>177</u>	<u>12</u>	<u>-</u>	<u>189</u>
<b>Long-term loans from a financial institution</b>				
Thanachart Bank Public Company Limited	70	-	(14)	56
	<u>70</u>	<u>-</u>	<u>(14)</u>	<u>56</u>

(Unit: Million Baht)				
Separate financial statements				
	Balance as at 30 June 2011	Addition	Receipt	Balance as at 31 December 2011
<b>Short-term loans to</b>				
Riverdale Golf and Country Club Company Limited	-	178	(74)	104
MBK Hotels and Resorts Company Limited	-	603	(31)	572
T Leasing Company Limited	570	188	(117)	641
Paradise Park Company Limited	142	9	-	151
MBK Square Company Limited	2	2	-	4
MBK Hospitality Management Company Limited	11	-	-	11
X-Gen Premium Company Limited	27	-	(27)	-
Siam Delice Company Limited	35	3	-	38
MBK Bangyai Company Limited	40	-	(40)	-
MBK Smart Force Company Limited	-	3	-	3
Lam Lukka Golf and Country Club Company Limited	-	50	(1)	49
	<u>827</u>	<u>1,036</u>	<u>(290)</u>	<u>1,573</u>



(Unit: Million Baht)

	Separate financial statements			
	Balance as at			Balance as at
	30 June 2011	Addition	Receipt	31 December 2011
<b>Short-term loans from</b>				
The Olympic Club Company Limited	44	1	(3)	42
Supsinthanee Company Limited	370	1	(6)	365
Glas Haus Ratchada Company Limited	471	15	(18)	468
MBK Premium Company Limited	564	8	(21)	551
MBK Asset Company Limited	73	1	-	74
MBK Arcade Company Limited	1	1,207	-	1,208
MBK Business Company Limited	564	14	(36)	542
MBK Center Company Limited	1	-	-	1
MBK Hotels and Resorts Company Limited	64	-	(64)	-
Primacy Elegance Investments Limited	107	5	-	112
Riverdale Golf and Country Club Company Limited	167	-	(167)	-
Lanta Land Development Company Limited	78	3	-	81
MBK Smart Force Company Limited	-	3	(3)	-
X-Gen Premium Company Limited	-	22	(12)	10
	<u>2,504</u>	<u>1,280</u>	<u>(330)</u>	<u>3,454</u>
<b>Long-term liabilities under finance lease agreements</b>				
MBK Premium Company Limited	<u>13</u>	<u>1</u>	<u>(2)</u>	<u>12</u>

## Directors and management's benefits

During the six-month period ended 31 December 2011 and during the year ended 30 June 2011, the Group had employee benefit expenses of their directors and management as below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For six-month period ended	For the year ended	For six-month period ended	For the year ended
	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Short-term employee benefits	51,069,926	69,242,487	39,091,080	52,222,787
Post-employment benefits	582,105	-	438,902	-
<b>Total</b>	<u>51,652,031</u>	<u>69,242,487</u>	<u>39,529,982</u>	<u>52,222,787</u>

**45. Dividends paid**

	Approved by	Total dividend (Million Baht)	Dividend (Baht per share)	Dividend payment date
Final dividends for the year ended 30 June 2011	Annual General Meeting of the shareholders on 31 October 2011	472	2.50	18 November 2011
Total		472		
Final dividends for the year ended 30 June 2010	Annual General Meeting of the shareholders on 29 October 2010	472	2.50	19 November 2010
Interim dividends for the period ended 31 December 2010	Board of Directors' Meeting on 9 March 2011	472	2.50	7 April 2011
Total		944		

**46. Business acquisition****46.1 Purchase of ordinary shares of Siam Delice Company Limited**

On 21 February 2011, the Company acquired ordinary shares of Siam Delice Company Limited, a subsidiary of Siam Piwat Company Limited from Siam Piwat Holding Company Limited. The Company acquired 1,000,000 ordinary shares at a price of Baht 5.28 per share, for a total of Baht 5.28 million, representing a 50% direct holding, and has a further indirect holding of 15.36% through Siam Piwat Company Limited. The total direct and indirect holding is thus 65.36% and the Company is able to exercise control over the financial and operating policies of this company, making such company as a subsidiary of the Company.

The Company's management has estimated fair value of assets, liabilities and contingent liabilities of Siam Delice Company Limited as at the investment date as follows:

	(Unit: Thousand Baht)	
	As at 21 February 2011	
	Fair value	Carrying amount
Cash and cash equivalent	715	715
Other receivables - related company	32	32
Other current assets	719	719
Equipment - net	311	311
Prepaid expenses	73,081	73,081
Other non-current assets	5	5
Trade payables	(11)	(11)
Payables and short-term loan from a related company	(67,744)	(67,744)
Accrued expenses	(72)	(72)
Other current liabilities	(26)	(26)
Net asset values	7,010	7,010
Net asset values - the Company only	3,505	
Cash paid for share capital	5,284	
Cost of business acquisition higher than net book value	1,779	

	(Unit: Thousand Baht)
	Consolidated financial statements 21 February 2011
Cash paid for share capital - the Company only	5,284
Cash paid for short-term loans from related companies	33,853
Total	39,137
Less: Cash and cash equivalent in acquired subsidiary	(715)
Cash paid for subsidiary acquisition - net of cash in acquired subsidiary	38,422

However, the Company has 12 months from the purchase date, or until 20 February 2012, to adjust the estimated fair value of the above transactions and the allocation of the purchase price of the business combination.



**46.2 Purchase of ordinary shares of Lanta Land Development Company Limited**

On 1 April 2011, the Company purchased all of the ordinary shares in Lanta Land Development Company Limited, acquiring 19,998 ordinary shares at a price of Baht 6,005 per share, for a total of Baht 120 million representing 99.99% holding and the Company made the partial payment of the share subscription of Baht 118 million and the remaining amounts should be paid as noted in the share purchase agreement. The Company is able to exercise control over the financial and operating policies of this company, making such company as a subsidiary.

The Company's management has estimated fair value of assets, liabilities and contingent liabilities of Lanta Land Development Company Limited as at the investment date as follows:

	(Unit: Thousand Baht)	
	As at 1 April 2011	
	Fair value	Carrying amount
Cash and cash equivalent	6,867	6,867
Trade receivables - net	11,663	11,663
Inventories	9,945	9,945
Other current assets	1,598	1,598
Restricted fixed deposits	10	10
Other non-current assets	67	67
Property, plant and equipment - net	321,289	182,233
Bank overdrafts	(9,430)	(9,430)
Current portion of long-term loan from a financial institution	(22,100)	(22,100)
Trade payables	(4,328)	(4,328)
Accrued expenses	(16,732)	(16,732)
Other current liabilities	(4,853)	(4,853)
Long-term loan from related party	(114,400)	(114,400)
Long-term loan from a financial institution - net of current portion	(59,799)	(59,799)
Net asset values	119,797	(19,259)
Cash paid for share capital	120,101	
Cost of business acquisition higher than net book value	304	



(Unit: Thousand Baht)

Consolidated  
financial statements  
1 April 2011

Cash paid for share capital - the Company only	120,101
Less: Cash and cash equivalent in acquired subsidiary	(6,867)
Cash paid for subsidiary acquisition - net of cash in acquired subsidiary	113,234

However, the Company has 12 months from the purchase date, or until 31 March 2012, to adjust the estimated fair value of the above transactions and the allocation of the purchase price of the business combination.

#### 47. Discontinued operations of two subsidiaries

The discontinued operation transactions included in the statements of comprehensive income for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 comprised the followings:

(Unit: Baht)

Consolidated financial statements

For the six-month period ended 31 December 2011	For the year ended 30 June 2011
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**Discontinued operations**

**Revenues**

Sales - 13,913,415

Other income - 17,829,160

**Total revenues** - 31,742,575

**Expenses**

Cost of sales - 14,683,985

Selling expenses - 1,140,270

Administrative expenses - 6,334,700

Loss from diminution in value of non-current assets held for sale - 4,681,415

**Total expenses** - 26,840,370

**Profit for the period/year from discontinued operations** - 4,902,205

**Basic earnings per share**

Profit from discontinued operations - 0.03

The net cash flows for the six-month period ended 31 December 2011 and for the year ended 30 June 2011 incurred by discontinued operations are as follows:

	(Unit: Baht)	
	Consolidated financial statements	
	For the six-month period ended 31 December 2011	For the year ended 30 June 2011
Cash flows from operating activities	-	13,925,306
Cash flows from investing activities	-	18,065,800
Net increase in cash	-	31,991,106

As at 30 June 2011, the subsidiaries had plant and equipment for discontinued operation have been separately shown in statements of financial position under caption of "Non-current assets held for sales".

Non-current assets held for sale as at 31 December 2011 and 30 June 2011 are as follows:

	(Unit: Baht)	
	Consolidated financial statements	
	31 December 2011	30 June 2011
Building and equipment	-	116,822,430

As at 31 December 2011, a subsidiary has changed its plan to sell the building and equipment of its power generator business because the intended buyer has postponed the purchase indefinitely. The subsidiary therefore cancelled the sale, reclassified these assets as property, plant and equipment, and revalued them at the lower of net realizable value and their net book value before their reclassification as non-current assets held-for-sale, net of depreciation. The subsidiary adjusted the value of these assets by Baht 27 million and recognized this as an expense in profit or loss of the period.

#### **48. Capital management**

The primary objective of the Group's capital management is to ensure that it has an appropriate capital structure in order to support its business and maximise shareholder value.

As at 31 December 2011, the Group's Debt to Equity Ratio was 1.19:1 (30 June 2011: 1.35:1) and the Company's was 1.28:1 (30 June 2011: 1.36:1).

#### **49. Events after the reporting period**

On 2 February 2012, a resolution of the meeting of the Board of the Directors of Paradise Park Company Limited, a subsidiary, authorised to increase registered capital from Baht 100 million to Baht 700 million, by issuing 6,000,000 new ordinary shares with a par value of Baht 100, a total of Baht 600 million. The share allocation to the Company totaled 3,000,000 new ordinary shares, or 50% of total new shares, at a price of Baht 100 per share, or a total of Baht 300 million. The Company will pay in the called-up share subscription by 29 February 2012. However, the Company's shareholding interest will remain no change.

#### **50. Reclassification**

Certain amounts in the financial statements for the year ended 30 June 2011 have been reclassified to conform to the current year's classification, following the adoption of presentation of the financial statements in accordance with the stipulations of the Notification of the Department of Business Development described in Note 3 and the adoption of new and revised accounting standards described in Note 4 and Note 6.

The reclassifications had no effect to previously reported profit (loss) or shareholder's equity, except for an impact from an adoption of new accounting standards mentioned in Note 6.

#### **51. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised director on 27 February 2012.



# GENERAL INFORMATION

## DETAIL OF COMPANY

<b>COMPANY NAME</b>	MBK Public Company Limited
<b>CORE BUSINESS</b>	Shopping center and Real estate
<b>COMPANY LOCATION</b>	444, 8 <sup>th</sup> Floor, MBK Center Building, Phayathai Road, Wang Mai, Pathumwan, Bangkok 10330
<b>REGISTRATION NUMBER</b>	No.0107537001102
<b>TELEPHONE NUMBER</b>	0-2620-9000
<b>FAX NUMBER</b>	0-2620-7000
<b>E-MAIL</b>	mbk@mbk-center.co.th
<b>HOMEPAGE</b>	<a href="http://www.mbk-center.co.th">http://www.mbk-center.co.th</a>
<b>REGISTERED AND PAID-UP CAPITAL</b>	THB 1,886,291,000
<b>TYPE OF SHARE</b>	Ordinary share
<b>NUMBER OF PAID-UP SHARES</b>	188,629,100 shares
<b>PAR VALUE</b>	THB 10 per share
<b>SHARE REGISTRAR</b>	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110 Tel. 0-2229-2800 Fax. 0-2654-5427 E-mail : TSDCallCenter@set.or.th Website : <a href="http://www.tsd.co.th">www.tsd.co.th</a>

## REFERENCE PERSONS

<b>DEBENTURE REGISTRAR</b>	Bank of Ayudhya Public Company Limited 1222 Rama 3 Road, Bangphongphang, Yan Nawa Bangkok 10120 Tel. 0-2296-2000, 0-2683-1000 Fax. 0-2683-1304 Website <a href="http://www.krungsri.com">www.krungsri.com</a>
Debentures of MBK Public Company Limited No. 1/2010 Due 2013 ("MBK 137A")	
Debentures of MBK Public Company Limited No. 1/2011 Due 2016 ("MBK 163A")	
Debentures of MBK Public Company Limited No. 2/2011 Due 2018 ("MBK 188A")	
Debentures of MBK Public Company Limited No. 3/2011 Due 2018 ("MBK 188B")	
<b>AUDITOR</b>	Mr. Sophon Permsirivallop, C.P.A. (Thailand) No.3182 and/or Ms. Nonglak Pumnoi, C.P.A. (Thailand) No.4172 and/or Ms. Ratana Jala, C.P.A (Thailand) No.3734 and/or Ms. Sumalee Reewarabandith, C.P.A. (Thailand) No.3970 Ernst & Young Office Limited 33 <sup>rd</sup> Floor, Lake Rajada Office Complex, 193/136-137 Rachadapisek Road, Klongtoey, Bangkok 10110 Tel. 0-2264-0777 Fax. 0-2264-0789-90 The Audit fee for the six-month period ending 31 December 2011 was fixed at THB 7,431,167.00



# DISCLOSURE OF INFORMATION IN ANNUAL REPORT ACCORDING TO FORM 56-2

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# CORPORATE SOCIAL RESPONSIBILITY

## 2011/2012

(July 1, 2011 – December 31, 2011)

### GOOD CORPORATE GOVERNANCE ACTIVITY

#### GCG DAY “THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE TO ORGANIZATION MANAGEMENT AT THE PRESENT TIME”



MBK Public Company Limited is determined to apply the principle of good corporate governance for that the Company's corporate management remains transparent and just. Therefore, the Company organized a seminar under the topic 'The Importance of Good Corporate Governance to Organization Management at the Present Time' on Tuesday, September 13, 2011 from 14.00 to 17.30 at Chamchuri Ballroom, Pathumwan Princess Hotel, Bangkok. Mr.Yuth Vorachattarn from Stock Exchange of Thailand was the speaker in the seminar organized for executive officers of MBK Public Company Limited and its associated companies, with the estimated total of 120 participants.

### OBJECTIVE

The seminar is to make executive officers of the Companies and its associates aware and realize the importance of corporate management under the principle of good corporate governance, which focuses on transparent, just and effective operation, while also taking into consideration the benefits of company and all stakeholders including shareholders, employees, customers, creditors, competitors, community, society and environment. The principle will strengthen and maintain the foundation of the company's corporate management.

## SOCIAL ACTIVITY

### “MBK – HAND IN HAND FOR FLOOD VICTIMS”



MBK Public Company Limited, MBK Center Executives, with The Nine Center Company Limited, Love2Share Group, Sanamdeklen Group, and CSR TV on NBT organized an event called ‘MBK – Hand in Hand for Flood Victims’. The objective was to allow customers and people to donate money and supply to flood victims in many provinces in Thailand. The event was separated into 2 concerts on the following dates and venues:

- October 2, 2011 from 10.00 – 22.00 at MBK Avenue, Zone A, 1<sup>st</sup> floor MBK Center
- October 7, 2011 from 15.00-20.00 at Village Square, 1<sup>st</sup> Floor The Nine Neighborhood Center

### OBJECTIVES

1. To encourage people to participate in the donation for flood victims
2. To strengthen good relationships between organizations, shops in MBK, and government and private sectors
3. To create good public image as an organization that supports activities with good causes

### ACTIVITIES IN THE EVENT

■ **ACTIVITIES BOOTHS** to generate revenue to help flood victims consisting of:

- Flood pictures and videos exhibition from CSR TV on NBT Channel that presented the flood damage and misery of flood victims
- Money and Supply Donation Booth
- Postcards for Flood Victims Booth
- Flood T-Shirt Booth
- Celebrity Photo Booth

- Fortunetelling Booth
- Kanakum Egg Booth

■ **STAGE ACTIVITIES** include the opening performance from a hybrid traditional Thai music band, followed by Cover Singing and Dancing performances from H.O.P.S (House of Pro Studio) and shows from various artists including Ann Thitima, Bee Kanakam, Sukanya Migael, Ai Panny, Kaew Carabao, Baby Zitters, Song Titi, Cheap Chaliang, Beem Jaruwan, Poo Wijitra, Color Pitch, The 38 Years Ago and Cheep Chanok.

### ■ DONATION ACTIVITY

Artists and the mime group walked around the venue with donation boxes.

### ■ MONEY DONATION CEREMONY

■ MBK and Sanamdeklen Group, “We Love 2 Share” gave THB 80,000 of donation money from the event on October 2, 2011 from 10.00 – 22.00 at MBK Avenue, Zone A, 1<sup>st</sup> Floor MBK Center to CSR TV NBT Channel on October 4, 2011

■ The Nine and Sanamdeklen Group, “We Love 2 Share” gave THB 40,000 of donation money from the event on October 7, 2011 from 15.00 – 22.00 at Nine Square, The Nine Neighborhood Center to CSR TV NBT Channel.

■ MBK – Hand in Hand for Flood Victims gave THB 132,130 of donation money and supplies worth THB 101,301.50 to ‘Alleviation Center, Thai Red Cross’ on October 13, 2011

■ MBK – Hand in Hand for Flood Victims gave THB 140,000 to Krobkruakao Thai TV 3 on November 4, 2011

## CULTURE ACTIVITY

### NATIONAL FATHER'S DAY ACTIVITY "CELEBRATING THE KING OF MUSIC WITH 84 ARTISTS TO PLAY MUSIC OF FATHER"



MBK Center MBK Public Company Limited, MBK Executives, with Bangkok Office, Pathumwan District Office, organized the National Father's Day 2011 Celebration under the concept 'Celebrating the King of Music with 84 Artists to Play Music of Father' on December 4-5, 2011 at MBK Avenue, Zone A, 1<sup>st</sup> Floor, MBK Center.

#### OBJECTIVES

1. To give people an opportunity to express loyalty and extend best wishes to His Majesty the King in the occasion of the 84<sup>th</sup> Birthday Anniversary
2. To encourage children, young people and people to be aware of the favors of fathers and the importance of the family institution
3. To inspire people and children to follow the King as the role model
4. To strengthen good relationships between organizations, shops in MBK, government and private sector

#### ACTIVITIES IN THE EVENT

■ **SPECIAL ACTIVITIES** include an exhibition that celebrates the King's wisdom in solving flood problem, and writing positive resolutions for the King to put on the golden Bodhi Tree. The donation money and benefits from the event were given to the Chaipattana Foundation to help flood victims.

■ **ACTIVITY BOOTHS** - There were 9 booths consisting of:

- EM Booth to give away EM liquid to flood victims to treat flood water
- NFE Pathumwan Booth to make gifts for Father

■ Indian Shot Brooch for Father Booth to make brooches from Indian shots

■ Flower pot for Love Booth to make pots for Indian shots

■ Dabos Foundation Booth to give away the compilation of the King's wisdoms in the book and CD format

■ Story of the King through Coins Booth to exhibit coins from the Treasury Department

■ WE LOVE 2 SHARE Booth to entertain people with games and gifts from artists

■ Raj Pracha Samasai Booth to sell t-shirts and 84<sup>th</sup> Birthday Anniversary band

■ Health Checking Booth to check blood pressure and eyesight from Hua Chiew Hospital

■ **STAGE PERFORMANCES ON DECEMBER 4 AND 5, 2011 CONSISTED OF:**

■ Performances of the Musical Compositions of H.M.K. Bhumibol Adulyadej from artists from various record labels such as Sodsai Rungpothong, the National Artist, 123 Soul and La sisa from True Fantasia, Som Amara, Ann Thitima, Bee Kanakam, Sukanya Migael etc.

■ Musical Performance from Royal Thai Navy Orchestra

■ Performances from students in Pathumwan district and various universities

■ Pantomime performance and performances from the drama troupe for society

■ **THE CANDLE-LIT CEREMONY TO CELEBRATE HIS MAJESTY THE KING'S BIRTHDAY** attended by over 1,000 people, taking place at MBK Avenue Zone A, 1<sup>st</sup> Floor MBK Center



## PUBLIC RELATION ACTIVITY

### MBK ON TOUR # 4 “PAY RESPECT TO RENOWN BUDDHA IMAGE, WORSHIPPING GANESH, EXPERIENCING THE DREAM LAND AND HAVE FUN AT NAKHON NAYOK”



MBK ON TOUR #4 was an excursion to Nakhonnayok province on December 28, 2011 to pay respect to the Red-Mouth Sitting Buddha at Pramanee Temple, the God of Success at Ganesh Park, and Phra Phutta Chai at Chulachomklao Royal Military Academy. The trip also included adventurous activities such as shooting, kayaking race, and sliding across the river. There were awards for winners in each activity as well.

#### OBJECTIVES

1. To strengthen good relationships between the Company and the entrepreneurs in MBK Center
2. To let entrepreneurs to meet and engage in an activity together
3. To entertain entrepreneurs with various activities such as a one-day excursion



**บริษัท เอ็ม บี เค จำกัด (มหาชน)**  
**MBK PUBLIC COMPANY LIMITED**

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