



**SIAM FUTURE DEVELOPMENT PLC.**

บริษัท สยามฟิวเจอร์ดีเวลอปเม้นท์ จำกัด (มหาชน)

# ANNUAL REPORT

# 2014

รายงานประจำปี 2557

Unlike other developers,  
We create a place for people first then business.

## Contents

### Page

1	Message from the Board of Directors
3	Audit Committee Report
5	General Information
8	Major Accomplishments of the Company
9	Financial Highlights
11	Management Discussion and Analysis (MD&A)
18	Nature of Business
25	Industry Overview and Competition
30	Risk Factors
33	Organization Chart
34	Shareholding Structure and Management
47	Report on Compliance with Principles of Good Corporate Governance
53	Corporate Social Responsibility : CSR
56	Report of Independent Auditor and Financial Statements

## Message from the Board of Directors

Last year, situation worldwide had fluctuated both politically and economically, resulting in a deceleration in global situation which had affected many countries in each region, including Thailand. This could be observed from the cautiousness in business expansion and reduction in consumer spending. Thailand's politics was in a stage of transformation at present, and both government and private sectors held back their spending pending political clarity. Therefore, opening of a new project needs to be carefully considered. As such, the Company focused on continuously developing and improving the existing projects, i.e.

More restaurants, e.g. MarugameSeimen Burapaphirom, Jones' Salad, BonChon Chicken Thailand, Kyo Roll En, Taruto, Otoku and Kelly By Audrey, would be added to the Esplanade Project in expectation of customers from AIA Capital Center Building and the Stock Exchange of Thailand Building which would be opened in the 3<sup>rd</sup> quarter of 2015. Additionally, in 2015 Train Night Market, which was opened in January, situated behind the Esplanade Project had attracted many customers, allowing higher sales to shops in the Esplanade Project.

Premium outlet Pattaya Avenue was the new tenant of The Avenue Pattaya Project. It was an open-mall outlet equipped with apparels from leading brands and was managed by Pena House plc.

Manee Me More was the new shop in the Festival Walk Project. It was a Thai-style shabu-suki restaurant in which its soup mixed with a red lump from the head of river prawn became popular and therefore had opened another restaurant in The Avenue Chaeng Wattana Project.

The operating performance of Mega Bangna Project became more outstanding, illustrating recognition from the customers. There were a variety of shops and the location was appropriate. New shopping zones were added and

new shops matched customers' requirement. As such, net profit from normal operation increased by 62% from THB 118 million in 2013 to THB 190 million (the Company recognized profit according to its shareholding proportion of 49%). Mega Bangna Project had also enhanced access to the shops with the construction of footbridge in front of the Project. It was officially opened on 14 January 2015. The Project also planned to add additional u-turn on Bangna KM 7 for the convenience of those customers who use automobiles for transportation. This was expected to complete by the end of 2015. Moreover, Mega Bangna Project was preparing investment plan for the 35-rai vacant land to generate sustainable revenue to the shareholders in a long run.

Continual success of Mega Bangna Project led to the Company's establishment of a joint venture company with IKEA, namely North Bangkok Development Co., Ltd., on 22 October 2013 to construct Mega 2 Project in order to facilitate customers from all regions of the country, as announced to the Stock Exchange of Thailand. The Project would be situated on total area of 250 rais in Rangsit to support customers in the northern part of Bangkok and surrounding areas.

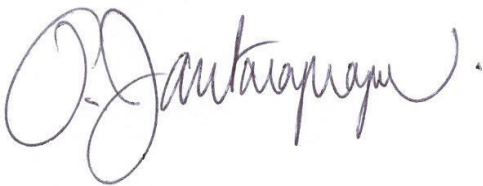
As at 31 December 2014, the Company had 25 projects in total. Total rental areas stood at 412,712 square meters. This included the rental area of Mega Bangna Project of 180,000 square meters. The Company focused mainly on adjusting the shops as well as developing and improving the existing projects to support customers in the surrounding areas.

The Company's total revenue stood at THB 1,869 million. Net profit increased by THB 188 million or 37% to THB 700 million. Total assets increased by THB 457 million or 3.8% to THB 12,460 million.

The Board of Directors had acted upon the principles of good corporate governance, professional and quality

management as well as ethical and governance transparency. The Company emphasized on continuous improvement of the existing projects to maintain the existing customer base for the benefit of all stakeholders in a long run.

The accomplishment the Company has made was the result of dedication, commitment and cooperation to perform the duties at their best capability from all groups of business alliances of the Company. The Board of Directors would like to convey a sincere appreciation to shareholders, suppliers, customers, financial institutions, financial advisors and all employees for their continuous trust and support in the past and going forward.

A handwritten signature in dark ink, appearing to read 'Oranop Jantaraprapa', with a large, stylized initial 'O'.

(Mr. Oranop Jantaraprapa)

Chairman

# Audit Committee Report

## Dear Shareholders of Siam Future Development PLC

The Audit Committee of Siam Future Development Public Company Limited consists of three independent directors. In 2014 there were five meetings of the Audit Committee, all of which being participated by all members of the Audit Committee. In the meeting, the Audit Committee discussed with the management, auditor and internal auditor, and provided their opinion as well as advice independently in the way it should be. The Audit Committee reported the operating results in four meetings of the Board of Directors, main points and opinions of which as follows:

**Accuracy, completeness and creditability of the financial reports:** The Audit Committee has reviewed quarterly financial statements, annual financial statements, material accounting policy and material financial reports. From the scopes of audit plan, audit methods and issued found, together with the management and the auditor, the Audit Committee is of the opinion that the Company's financial reports were prepared in conformity with generally accepted accounting principles, accurate, complete and creditable. The adoption of the accounting policy is reasonable.

**Sufficiency of the internal control system and internal audit:** The Audit Committee has reviewed the reports of the Internal Audit Department and the auditor regarding the evaluation of internal control system as well as the operation of the management according to the suggestion in such reports. The Audit Committee is of the opinion that the Company's internal control system is sufficient and suitable. The Audit Committee has reviewed the annual risk-based internal audit plan, results from the implementation of such plan and the evaluation of the Internal Audit Department's operation. It also has constantly discussed with the Head of the Internal Audit Department without the management. The Audit

Committee, therefore, is of the opinion that the internal audit is independent and appropriate.

**Compliance with the Securities and Exchange Law, regulations of the Stock Exchange of Thailand and laws related to the Company's business:** The Audit Committee has reviewed the compliance with the Securities and Exchange Law, regulations of the Stock Exchange of Thailand and laws related to the Company's business, and has regularly followed up on the approach of improvement of the management. The Audit Committee is of the opinion that the Company complies with the Securities and Exchange Law, regulations of the Stock Exchange of Thailand and laws related to the Company's business.

**Potential conflict of interest transactions:** The Audit Committee has placed importance on the consideration of related party transactions and potential conflict of interest transactions to ensure that they comply with the laws and regulations of the Stock Exchange of Thailand. It also has the Internal Audit Department preliminarily checked the accuracy from the report of interest of the directors and the management as well as having the auditor reviewed those transactions annually. The Audit Committee is of the opinion that the related party transactions considered are deemed normal business with the conditions in the ordinary course of business, reasonable, fair and yield maximum benefit to the Company.

**Suitability of the auditor, consideration, selection and nomination of the auditor:** An Audit Committee had assessed the independency and 2014 performance of PricewaterhouseCoopers ABAS Co., Ltd. was satisfied. It therefore proposed to the Company's Board of Directors to seek approval from the shareholders' meeting to appoint appointing Miss Sakuna Yamsakul CPA no. 4906, Mr. Pisit Thangtanagul CPAno. 4095, Mr. Chanchai Chaiprasit CPA no. 3760 and Mr. Kajornkiet Aroonpirodkul CPA no. 3445, from

PricewaterhouseCoopers ABAS Co., Ltd. as the auditors of the Company. Any one of the above persons shall be eligible to audit and provide an opinion to the Company's financial statements for the accounting year of 2015.

**Overall opinion and observation from the performance of duties in accordance with the charter:** The Audit Committee had cautiously and independently performed its duties in accordance with the charter. It was of an opinion that the Company's internal control and internal audit was efficient. The financial statements were accurately and completely prepared. The Company complied with the Securities and Exchange Law, regulations of the Stock Exchange of Thailand and laws related to the Company's business as well as the consideration of related party transactions.



(Mrs. Nantiya Montriwat)

Chairman of the Audit Committee

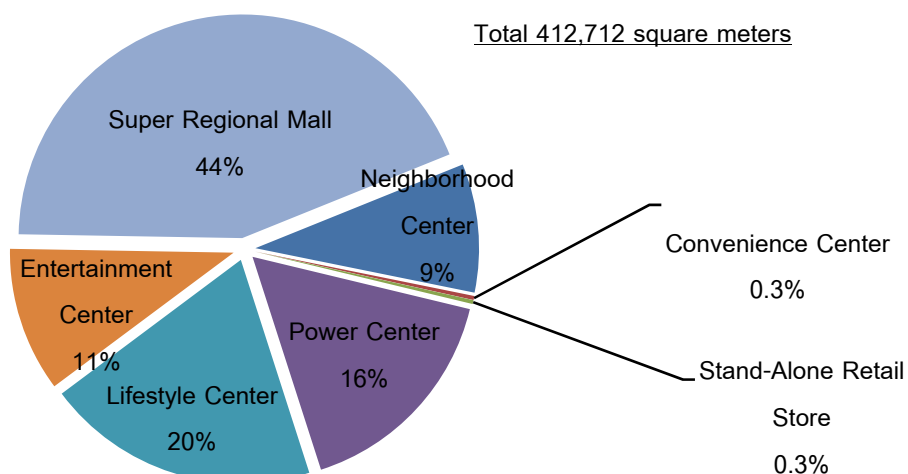
## General Information

Siam Future Development Public Company Limited “Company” was incorporated on August 29, 1994 by Mr. Pongkit Suttapong and Mr. Nopporn Witoonchart with 10 Million Baht registered capital to run the business in open-air shopping center development and management.

Presently the company owns altogether 25 operating projects. **Currently Total gross leasable area is 412,712 sq.m.**

Type of shopping center	Number of shopping centers	Name of Shopping Centers
Neighborhood shopping center	7	Bangbon, Pracha-Utis, Sukhapiban 3,Thonglor Soi 4,Thungmahamek, Piyarom Place (Soi Sukhumvit 101/1) and Market Place Nawamin
Convenience shopping center	2	Wanghin and Ladprao Soi 120
Stand-alone retail store	3	Ratchadaphisek-Rama3, Bangkae, and Mengjai
Power Center	3	SF Major Cineplex Cha Choeng Sao, Petchkasem Power Center, Ekkamai Power Center
Lifestyle Center	8	J Avenue Thonglor 15, The Avenue Chaeng Watthana, La Villa Phonyothin, The Avenue Pattaya, Major Avenue Ratchayothin, Nawamin City Avenue,Festival Walk Nawamin Art Village and Imagine Village.
Urban Entertainment Center	1	Esplanade Ratchadapisek
Super Regional Mall	1	Mega Bangna
<b>Total</b>	<b>25</b>	

### Y2014 Portfolio by type of shopping center



The Company earns its income from 5 groups of major services:

1. Income from the project rental.
2. Income from the project management services and common area maintenance (CAM).
3. Income from public utilities services consisting of electricity bills, water supply and telephone bills.
4. Revenue from finance lease contracts <sup>1</sup>
5. Gain on fair value adjustment on Investment Property <sup>2</sup>

<sup>1</sup> additional details concerning accounting policy on long-term lease can be found in item 2.9 of the notes to financial statements on page 74

<sup>2</sup> additional details concerning accounting policy on Investment Property can be found in item 2.8 and 10 of the notes to financial statements on page 74 and 84



## Company Profile

Siam Future Development Public Company Limited

Registration No. : 0107545000187

Registration Date: August 13, 2002

Address: Esplanade Ratchadapisek 99 Ratchadapisek Road, Din Dang  
Bangkok, Thailand 10400.

Tel.: 0-2660-9000 Fax: 0-2660-9010, 0-2660-9020, 0-2660-9030

Website: <http://www.siamfuture.com>

Registered Capital: 1,480,522,641 Baht with 1,480,522,641 ordinary shares, par value of Baht 1 each.

Issued and Paid-up Capital: 1,480,515,030 Baht with 1,480,515,030 ordinary shares, par value of Baht 1 each.

## Vision

Unlike other developers, we create a place for people first then for business.

## Membership of International Organization

Member of International Council of Shopping Center (ICSC)

## Awards

• J Avenue Thonglo 15 won *The Innovative Design and Development of a New Project* from International Council of Shopping Centers (ICSC) International Design and Development Awards 2006.

• Major Avenue Ratchayothin won *The Green Architecture Awards 2009* from The Association of Siamese Architects under Royal Patronage selected by Academic committee, Building Technology and Environment.

## Other Reference Persons

### 1. Securities Registrar:

Thailand Securities Depository Company Limited  
62 The Stock Exchange of Thailand Building,  
7<sup>th</sup> Floors Rachadapisek Road,  
Klongtoey, Bangkok 10110  
Tel: 0-2229-2000  
Fax: 0-2654-5642, 5645

### 2. External Auditors:

Ms. Sakuna Yamsakul,  
Certified Public Accountant No. 4906  
PricewaterhouseCoopers ABAS Limited  
15<sup>th</sup> Floor Bangkok City Tower  
179/74-80 south Sathorn Road, Bangkok,  
Thailand 10120  
Tel: 0-2344-1000, 0-2286-9999  
Fax: 0-2286-5050

### 3. Bond Registrar:

Kasikorn Bank Public Company Limited  
11<sup>th</sup> Floor, Phahonyothin Office  
400/22 Phahonyothin Road, Samsen nai, Phayatai,  
Bangkok, Thailand 10400  
Tel: 0-2470-1994 Fax: 0-2470-1998

## Major Accomplishments of the Company

1994	★	Siam Future Development Public Company Limited was established with a purpose to conduct an open-air shopping center development and management services.
1995 - 2000	★	The Company's first neighborhood shopping center was opened in Bang Bon with JUSCO as the anchor tenant and expanded 14 centers including B-Quik stand alone.
2002	★★	The Company's status was transformed to a public company and the registered capital increased to Baht 150 million, Baht 71 million of which being paid-up capital at par value of Baht 1 per share
	★★	The Company was listed on the MAI on 17 December 2002.
2003	★★	The 5 <sup>th</sup> and 6 <sup>th</sup> neighborhood shopping centers were opened in Thong Lo and Thung Mahamek with Tops Supermarket as the anchor tenant.
	★★	Registered capital was increased to Baht 500 million. Major Cineplex Group Public Company Limited became one of the shareholders with 25% shareholding.
	★★	The Company was granted an approval from the SET to transfer its listing from the MAI to the SET on 12 December 2003 and became effective on 1 January 2004
2004	★	Acquired The Family Center Chaeng Watthana and Piyarom Park
	★	Ladprao Soi 120 Convenience Center, Major Cineplex Cha Choeng Sao, the 1 <sup>st</sup> Power Center, and J Avenue Thonglor 15, the 1 <sup>st</sup> Lifestyle Center were opened.
2005	★	Issued the Baht 1 Billion 5-year Debenture with Credit rating of BBB+
	★	Wanghin Lotus Express was opened.
	★	Petchkasem Power Center and Ekkamai Power Center were opened.
2006	★	Raising Registered Capital to Baht 533.95 million by Right Offering to Existing
	★	2 New Lifestyle Centers, The Avenue Chaeng Watthana and La Villa Phahonyothin, were opened.
	★	Esplanade Ratchadapisek, an urban entertainment center, was opened.

2007	★	The Avenue Pattaya, a lifestyle center, and Kao Yai Market Village, a Power Center, were opened.
	★	Issued the Baht 940 Million 3-year Debenture with Credit Rating of BBB+
2008	★	One neighborhood center named Market Place Nawamin and one lifestyle center named Major Avenue Ratchayothin were opened.
2009	★	Raising Registered Capital to Baht 1,047.09 million by Right Offering to Existing Shareholders at the ratio of 1 current share to 1 newly issued share for investing in Mega Bangna Project, joint venture with IKEA
	★	Nawamin City Avenue Lifestyle center on Kaset-Nawamin Road was opened.
	★	Issued the Baht 500 million 3.5-year Debenture with Credit rating of BBB+
2010	★	Issued the Baht 1,200 million Debenture with Credit rating of BBB
	★	Disposal of Leasehold of Suzuki Avenue Ratchayothin to MJLF
2011	★	Festival Walk Nawamin Art Village on Kaset-Nawamin Road was opened which had a new concept "Art Village".
	★	IKEA Store Bangna, a home furniture under brand IKEA, was opened as the first IKEA Store in Thailand on November 3rd, 2011.
2012	★★	Mega Bangna , Super Regional Mall located on Bangna-Trad K.M.8 road, was opened on May 5 <sup>th</sup> , 2012. The Company had joint venture with IKANO Pte. which is the world famous home furnishing company from Sweden under brand "IKEA".
2013	★	The company management service provider for Bangkok University's community mall named "Imagine village"
2014	★	Joint venture with IKEA and acquire land for developing new MEGA project in northern Bangkok

# Financial Highlights

## Siam Future Development Public Company Limited

For the fiscal year ended 31 December 2014

Unit: Million Baht	Year 2014	Year 2013	Change in Y2014-2013
Total Assets	12,460	12,003	4%
Total Liabilities	5,314	5,573	(5%)
Shareholders' Equity	7,146	6,430	11%
Paid-up Capital	1,481	1,316	13%
Total Revenue	1,869	1,658	13%
Net Profit	700	512	37%
Book Value per Share (Baht) <sup>1</sup>	4.55	4.59	
Dividend per Share (Baht) <sup>2</sup>	0.22222	0.13889	60%
Net Profit Margin	37.47%	30.87%	7%
Return on Equity (ROE) <sup>3</sup>	10.96%	8.83%	2%
Return on Assets (ROA) <sup>4</sup>	7.48%	6.24%	1%
Interest Bearing Debt to Equity Ratio	0.27	0.33	
Gross Leasable Area (Sq.m.)	412,712	409,600	1%

### Note

1 Book Value per share means Total parent's shareholders' equity divided by Number of ordinary shares.

2 Dividend per share to be presented to the shareholders' meeting for approval at Stock dividend (5 current shares: 1 stock dividend) equal to 0.20 Baht/share and Cash dividend at 0.02222 Baht/share. Total Dividend equal to 0.22222 Baht/share.

3 Return on Equity (ROE) calculate from (Net profit / Average Equity attributable to owners of the parent) x 100%

4 Return on Asset (ROA) calculate from (EBIT / Average total assets) x 100%



# Management Discussion and Analysis (MD&A)

## Overview of the Operating Performance for the Year 2014

Retail industry in general had continuously expanded, implying private sector was confident in the government. Retail business continued to expand the branches, comprising growth of the supermarkets, convenient stores, department stores, specialty stores and super centers by 6.5%, 4.5%, 3.4%, 2.7% and 2.6%, respectively.

In 2014 despite rental discount provided to those shops in the shopping centers affected from political situation, the Company's business continued robustly this year. As at the end of 2014, the Company's average occupancy rate stood at 96% (From SF 93% and Mega Bangna 100%) while revenue and net profit growth was maintained.

## Accounting Policy

In the 2<sup>nd</sup> quarter of 2006, the Company started to recognize revenues from long-term lease called financial lease according to the accounting standard no. 17. The Company had previously recognized revenues from long-term lease as operating lease since according to the contract, the Company continued to be exposed to the risk of repayment of leasehold rights to the customers should it breach the contract. However, the Company was no longer exposed to the risk of repayment of leasehold rights according to the contract for the long-term lease of those projects opened from 2006 onwards. As such, the Company recognized revenues as if it sold the rental areas. Revenues from financial lease recognized on the delivery date of the rental area to the customers consisted of upfront payment, net present value of monthly rental throughout the leasing period, the cost of financial lease, i.e. land leasing fee and construction cost of the project, and net present value of land lease expenses.

Accounting record as financial lease would change the Company's statements of financial position. For example, on the assets side, the financial lease receivables increased while land, building and equipment decreased. On the liabilities side, finance lease liabilities on land leases increased. In the profit & loss statements, the Company's revenues from financial lease contracts increased as revenues would be recognized on the delivery date of rental areas of the project. Interest income would be recognized throughout the period of lease while cost of financial lease rose (please refer to the notes to the financial statements no. 2.9 regarding accounting for long-term lease on page 74 for more details).

In 2010 the Company started to adopt the accounting standard no. 40 regarding investment property whereby fair value appraised by an independent appraiser of those properties owned by the Company intended for rental incomes would need to be shown to reflect the actual market condition. Such fair value could be calculated from the projected cash flow statements throughout the period of lease contract, reduced to the net present value. With this method, the Company would need to appraise the fair value of the investment property for all shopping centers projects, and compare it with the book value upon the commencement of the operation of the projects. After the commencement, the appraisal would need to be conducted every quarter for comparison. Should the fair value increase, it would be recognized as gain from fair value adjustment (please refer to the notes to the financial statements no. 2.8 regarding investment property on page 23 for more details).

## Summary of the Financial Results

### Revenues

Rental and service income increased by THB 19.66 million or 1.51% from that in the prior year to THB 1,318.94 million due to the increase in the rate of rental and service according to the contract. Also, the Company had given rental discount to those shops in the area affected from political unrest during the first half of the year.

Revenue from financial lease contracts increased by THB 14.26 million or 192.28% from that in the prior year to THB 21.67 million as the Company secured a new long-term lease tenant and land lease contract of B-Quik Meng Jai Project was renewed.

Other income lowered by THB 7.67 million from that in the prior year to THB 26.02 million as miscellaneous income of the Company declined.

Share profit from Mega Bangna joint venture Project rose by THB 183.49 million or 62.93% from that in the prior year to THB 475.06 million attributable to the increase in rental and service rate according to the contracts and additional income from common areas.

Total revenues increased by THB 210.68 million or 12.71% from that in the prior year to THB 1,868.59 million as a result of the aforementioned reasons.

Revenues			
(Unit: million THB)	2014	2013	Change from the prior year
Rental and service income	1,319	1,299	2%
Revenue from finance lease contracts	22	7	192%
Finance and interest income	27	26	4%
Other income	26	34	(23%)
Share profit from joint venture	475	292	63%
<b>Total revenues</b>	<b>1,869</b>	<b>1,658</b>	<b>13%</b>

### Cost and Expenses

Cost of rental and service declined by THB 12.05 million or 2.14% from that in the prior year to THB 550.28 million as the Company applied energy saving project which resulted in a reduction of utility expenses.

Cost of finance lease contracts rose by THB 8.65 million or 190.36% from that in the prior year to THB 13.19 million as the Company secured a new long-term tenant.

Fair value adjustment on investment property increased by THB 10.31 million or 6.66% from that in the prior year to THB 165.17 million since the fair value of the property declined according to market price.

Selling and administrative expenses increased by THB 20.14 million or 9.80% from that in the prior year to THB 225.54 million due to expenses incurred from marketing events and human resource development.

Total cost and expenses rose by THB 27.03 million or 2.92% from that in the prior year to THB 954.18 million due to the aforementioned reasons.

Expenses			
(Unit: million THB)	2014	2013	Change from the prior year
Cost of rental and service	550	562	(2%)
Cost of finance lease contracts	13	5	190%
Fair value adjustment on investment property, net	165	155	7%
Selling and administrative expenses	205	186	10%
Managements' remuneration	21	19	7%
<b>Total expenses</b>	<b>954</b>	<b>927</b>	<b>3%</b>

#### Gross Profit Margin and Operating Profit Margin

In 2014 the Company's gross profit margin increased from 56% in the prior year to 61% as revenue growth stood at 13% while expense grew at merely 1%. This illustrated the efficiency in revenue generation and expense reduction of

the Company. Operating profit margin increased from 44% in the prior year to 49% in 2014 attributable to the aforementioned reasons.

Gross profit margin and operating profit margin			
(Unit: million THB)	2014	2013	Change from the prior year
Revenues	1,869	1,658	13%
Expenses	729	722	1%
Gross profit	1,140	936	22%
<b>Gross profit margin (%)</b>	<b>61%</b>	<b>56%</b>	<b>5%</b>
Selling and administrative expenses	225	205	10%
Operating profit	914	731	25%
<b>Operating profit margin (%)</b>	<b>49%</b>	<b>44%</b>	<b>5%</b>

#### Net Profit

Net profit increased by THB 188.37 million or 36.80% from that in the prior year to THB 700.23 million attributable to the aforementioned reasons.

Net profit			
(Unit: million THB)	2014	2013	Change from the prior year
<b>Net profit</b>	<b>700</b>	<b>512</b>	<b>37%</b>

Table represent Management Account

(Unit: million THB)	2014	2013	Change (%) Increase (decrease)	Note
Operating income				
Rental and service income	1,319	1,299	2%	Increase in rental and service rate according to the contracts
Financial and interest income	27	26	4%	
Other income	26	34	(24%)	Decline in the Company's miscellaneous income
<b>Total operating income</b>	<b>1,372</b>	<b>1,359</b>	<b>1%</b>	
Expenses				
Cost of rental and service <sup>1</sup>	936	940	(0%)	
Selling and administrative expenses	229	209	10%	Marketing events and human resources development expenses
<b>Total operating expenses</b>	<b>1,165</b>	<b>1,149</b>	<b>1%</b>	
<b>Operating profit</b>	<b>207</b>	<b>210</b>	<b>(1%)</b>	
Gain from financial leases <sup>2</sup>	3	4	(22%)	
Financial costs	(95)	(103)	(8%)	Reduction in the rate of interest expense
Income tax expenses	(33)	(39)	(15%)	
<b>Recurring net profit before non-controlling interests</b>	<b>82</b>	<b>72</b>	<b>14%</b>	
Non-controlling interests	(18)	(16)	13%	
<b>Recurring net profit <u>excluding</u> Mega Bangna Shopping Center</b>	<b>64</b>	<b>56</b>	<b>15%</b>	
Share profit from joint venture (Mega Bangna Shopping Center)	191	118	62%	Increase in rental and service rate according to the contracts and increase in revenue from common areas of Mega Bangna Shopping Center
<b>Recurring Profit</b>	<b>255</b>	<b>173</b>	<b>48%</b>	Share profit from Mega Bangna Shopping Center joint venture
<b>Gain on fair value adjustment on investment property<sup>3</sup></b>				
Siam Future Development	161	165	(2%)	
Mega Bangna Shopping Center joint venture	284	174	63%	Increase in the market price of the property
<b>Net profit attributable to owners of the parent company</b>	<b>700</b>	<b>512</b>	<b>37%</b>	



#### Note

1. Cost of rental and service consists of cost of land lease, cost of shopping center management and depreciation and amortization expenses according to cost method.

2. Gain from financial lease = revenues from financial lease – cost of financial lease

3. Gain on fair value adjustment on investment property derived from the appraisal of investment property from cost method to fair value method.

## Financial Status

### Total Assets

As at 31 December 2014 the Company's total assets increased by THB 457 million or 3.8% from that in the prior year to THB 12,460 million. Details of the analysis can be provided as follows:

Short-term investment consisted of trading securities. In 2014 the Company's short-term investment increased by THB 188 million or 384% from that in the prior year to THB 237 million derived from cash flow from operation, dividend received from Mega Bangna Shopping Center joint venture of THB 161 million. The investment focused on high liquidity fund with low risk level and appropriate return.

Interest in joint venture in 2014 rose THB 349 million or 11% to THB 3,508 million attributable to share profit from Mega Bangna joint venture Project, both from operating profit and gain from fair value adjustment.

In 2014 investment property declined by THB 92 million or 1% to THB 7,518 million due to the reduction in market price of the property.

The Company's return on assets (ROA) increased from 6.24% in the prior year to 7.48%. Return on investment property (ROIP) rise from 6.73% in the prior year to 9.26%, indicating higher efficiency in asset profit generation of the Company.

### Total Liabilities

In 2014 the Company's total liabilities declined by THB 259 million or 5% to THB 5,314 million as the Company had repaid THB 200 million of the promissory notes to the financial institution.

Moreover, in July 2014 the Company issued bills of exchange totaling THB 500 million to repay the matured debentures totaling THB 500 million in the same year.

As at 31 December 2014 the Company's interest-bearing liabilities stood at THB 1,946 million with the average interest rate of 4.46%.

The Company's debt to equity ratio and net interest-bearing debt to equity ratio stood at 0.74 times and 0.27 times, respectively. The Company was required to maintain the debt to equity ratio at not more than 1.5 times according to the debentures covenant.

### Shareholders' Equity

As at 31 December 2014 the Company's shareholders' equity increased by THB 716 million or 11% to THB 7,146 million. This was attributable to the net profit of the group companies and share profit from Mega Bangna Shopping Center joint venture. Return on equity (ROE) increased from 8.83 % in the prior year to 10.96 %.

## Cash Flow and Source of Fund

### Cash Flow

- 1) Cash flow from operation in 2014 increased by THB 23 million in the prior year to THB 176 million attributable to the increase in rental and service income and revenues from financial lease.
- 2) In 2014, cash flow from investment activities raised THB 413 million from that in the prior year to THB 47 million mainly resulted from the receipt of dividend from Mega Bangna Shopping Center joint venture of THB 161 million. In 2013 the Company invested THB 343 million in Rangsit joint venture (North Bangkok Development Co., Ltd.) and put additional investment of THB 34.3 million in 2014 for land acquisition.
- 3) In 2014, net cash flow from financing activities declined by THB 394 million from that in the prior year as in 2013 the Company borrowed THB 109 million of

short-term loan from financial institution. In 2014 it repaid THB 200 million of short-term loan (promissory notes). In the 2<sup>nd</sup> quarter of 2014 the Company repaid THB 500 million of debentures by issuing the same amount of bills of exchange.

### Source of fund

In 2014 the Company issued THB 500 million of bills of exchange to repay the debentures.

In January 2015 the Company issued 5-year name-registered debentures, unsubordinated and unsecured without debenture holders' representative, totaling THB 500 million at a fixed interest rate of 5.00% p.a. The debentures was rated BBB by Fitch Ratings (Thailand) Co., Ltd. and will be matured on 27 January 2020 to repay bills of exchange.

# Nature of Business

## Chronology and Major Development

Siam Future Development Public Company Limited was established on 29 August 1994 by Mr.Pongkit Suttapong and Mr.Nopporn Witoonchart with a registered capital of Baht 10 million as open shopping center developer and management service provider.

The company has a goal to be a leader of community mall developers and management service providers in Thailand, so the company has a plan to expand 10,000 – 20,000 square meters of gross leasable area (GLA) in order to develop various shopping centers to increase variety of services to retailer and customer are as follow:

Neighborhood Shopping Center is an open shopping center which has supermarket as an anchor tenant day-to-day product and specialty stores such as theatre, bowling, restaurant, bakery shop and music school.

Convenience center is a small shopping center in an area of around 1 rai close to the main road with a parking lot for merely 3 – 10 cars. The convenience center is available for 2 – 3 tenants, e.g. auto service center, convenience store, and/or school.

Stand-alone retail store is a one-shop retail store in an area of around ½ rai close to the main road. The stand-alone retail store is available for 1 tenant, e.g. auto service center, convenience store or retail shop.

Power center is a large scale shopping center with more than 2 anchor tenants and specialty stores such as furniture shop, construction equipment and material, etc.

Lifestyle center is an open shopping center which has up-scale supermarket as an anchor tenant, day-to-day product and specialty stores such as theatre, bowling, restaurant, bakery shop, beauty shop, music school.

Entertainment Center is a combination of entertainment complex and retailers catered to consumers desiring for amusement experiences and leisure spending such as cinema, ice skating ring, playhouse, and day-to-day product shops.

Super Regional Mall is a center type provides general merchandise (a large percentage of which is apparel) and services in full depth and variety. Its main attractions are its anchors: traditional, mass merchant, or discount department stores or fashion specialty stores. A typical regional center is usually enclosed with an inward orientation of the stores connected by a common walkway and parking surrounds the outside perimeter.

## Launch and Expansion Shopping Center

In 1995, the Company opened Bang Bon project as its first neighborhood shopping center<sup>1</sup> with Jusco Supermarket as the anchor tenant.

In 1996 the Company opened its second and third neighborhood shopping centers, i.e. Pracha Uthit and Sukhapiban 3 projects. At present, Jusco Supermarket and Tops Supermarket are the anchor tenants, respectively.

In 1997 the Company increased its registered capital from Baht 10 million to 20 million to support further expansion. Subsequently in 1998 the Company opened its fourth neighborhood shopping center on Sukhumvit 71 (Klong Tan) Road with Jusco Supermarket as the anchor tenant.

In 2000 the Company successfully developed and provided the business premises for B-Quik Service Company Limited, an auto service company under the name of “B-Quik” under its 14 branches. The Company developed 2 branches as convenience centers and 8

branches as stand-alone retail stores. B-Quik's remaining 4 branches were established on the Company's existing neighborhood shopping centers.

In 2002, The Company also opened its fifth neighborhood shopping center in Soi Thong Lo. Tops Supermarket under the name "Market Place" was the anchor tenant.

In 2003 the Company opened the new neighborhood shopping center in Thung Mahamek with Tops Supermarket as the anchor tenant. Moreover, the Company entered into a long-term lease agreement with an owner of the land on Thong Lo Soi 15 and Changwattana Road to be developed the shopping center in next year.

In 2004, the Company opened 5 new shopping centers i.e. The Family Center Chaeng Watthana, Ladprao Soi 120 Convenience Center, Major Cineplex Cha Choeng Sao, Lifestyle Center<sup>1</sup> "J Avenue Thonglor 15", and Piyarom Place Sukhumvit 101/1.

In 2005, the Company opened 3 new shopping centers as follows: Wanghin Convenience Center, Petchkasem Power Center with Big C Supermarket, Index Living Mall, HomeWork, and Major Cineplex as anchor tenants, Ekkamai Power Center with Big C Supermarket and Index Living Mall as anchor tenants.

In 2006, The Company opened 3 new shopping centers as follows: The Avenue Chaeng Watthana Lifestyle center, La Villa Phahonyothin Lifestyle center, and Esplanade Ratchadapisek Entertainment center. Esplanade Ratchadapisek with Major Cineplex, Ratchadalai Theatre and Tops Supermarket as anchor tenants. In 2014 there are new anchor tenants We Fitness Society and Art in paradise that is the first 3D Art museum in Thailand.

In 2007, the Company launched 2 new shopping centers as follow: The Avenue Pattaya (Lifestyle Center) with Major Cineplex, Major Bowl, Villa Market and California Fitness as anchor tenants, Kao Yai Market Village (Power Center)

with Tesco Lotus as an anchor tenant. In 2009, The Company disposed Kao Yai Market Village to Tesco Lotus.

In the year 2008, there are 2 new shopping centers i.e. Neighborhood Center named Market Place Nawamin (Sukapiban 1) with Big C supermarket as an anchor tenant, Lifestyle Center named Major Avenue Ratchayothin with Villa Supermarket as an anchor tenant.

In 2009, The Company opened the newly Nawamin City Avenue Lifestyle center located on Kaset-Nawamin Road and Villa Market as an anchor tenant.

Moreover, in December the Company sold 30-year leaseholds rights of 11,109 sq.m. short-term lease of Major Avenue Ratchayothin to Major Cineplex Lifestyle Property Fund (MJLF)

In Y2011, the Company launched 2 new shopping centers. Firstly Festival Walk Nawamin Art Village, an expansion of Nawamin City Avenue, on Kaset-Nawamin. Secondly, IKEA Store one of anchor tenants in Mega Bangna which is joint venture Company with IKANO Pte opened 40,000 sq.m.

In Y2012, the Company launched one super regional mall. Mega Bangna, located on Bangna-Trad Road K.M. 8, The Company had joint venture with IKANO Pte. which is the world famous home furnishing company from Sweden. Mega Bangna is anchored by IKEA, Major Cineplex , BigC, Homepro, and Robinson with Gross Leasable Area of 180,000 sq.m.

In Y2013 the company management service provider for Bangkok University's community mall named "Imagine village" which was opened in April 2013. Imagine Village anchored by 7-Eleven.

In summary, as of 31 December 2013, the Company has Gross Leasable Area in the amount of 412,712 sq.m.

## Funding

Siam Future Development Public Company Limited launched business in Y1994 with a registered capital of Baht 10 million.

In 1997 the Company increased its registered capital from Baht 10 million to 20 million to support further expansion, after that the company has highlight funding as follows:

In 2002, the Company was first listed on the MAI board with an increase in registered capital from Baht 20 million to 150 million and total paid-up capital of Baht 71 million.

In 2003, the Company increased its registered capital to Baht 500 million via additional share allocation totaling 24 million shares to Major Cineplex Group Public Company Limited at a price of Baht 3.99 per share, and 142,499,935 shares to the existing shareholders at a proportion of 1:1.5 of existing shares: new shares at a price of Baht 1 per share and The Company was granted an approval to transfer the listing of its shares from the MAI board to the main board on 12 December 2003.

In 2005, the Company issued the 5-year Amortizing Debenture in the amount of 1,000,000 units with Par Baht 1,000 each, Total Value Baht 1 Billion to institutional investors. Fitch Ratings (Thailand) Co., Ltd. has assigned National Long-term Ratings of BBB+.

In 2006, the Extraordinary General Meeting of Shareholders No. 1/2006 approved the increased registered capital from 424,117,769 Baht to 533,947,769 Baht by right offering to existing shareholders at the ratio 5 current shares to 1 newly issued share at the price 5 Baht per share. As of 31 December 2006, the Company had paid-up capital 508,941,438 baht from right offering.

In 2007, the Company issued the 3-year Bullet Debenture in the amount of 940,000 units with Par Baht 1,000 each, Total Value Baht 940 million will redeem on 2010.

In 2009, the Company raised the capital by Right offering to existing shareholders at the ratio 1 current share to 1 newly issued share at the price 1.20 Baht per share in order to invest in the joint venture, named "SF Development Co., Ltd.", with IKANO Pte. Currently the

Company has registered capital of Baht 1,047.09 million and paid-up capital of Baht 1,026.30 million. Moreover, the Company issued 3.5-year debenture of 500,000 units at Par value Baht 1,000 each. Totaling debenture of Baht 500 million will redeem on 15 March 2013.

In Y2010, the Company issued 3-4 year debenture of Baht 1,200 Million will redeem Baht 700 Million on 2013 and Baht 500 Million on 2014.

In Y2012, the Company had a stock dividend to shareholders at the ratio of 8 existing shares to 1 new share operating results totaling 130 Million shares. The company had registered capital 1,169.86 million shares.

In Y2013 the Company issued 3-4 year debenture of Baht 1,450 Million will redeem Baht 750 Million on 2016 and Baht 700 Million on 2017, beside the Company had a stock dividend to shareholders at the ratio of 8 existing shares to 1 new share. Operating results totaling 146.16 Million shares. The company had registered capital 1,316.02 million shares.

In Y2014, the Company had a stock dividend to shareholders at the ratio of 8 existing shares to 1 new share. Operating results totaling 164.50 Million. The company had registered capital 1,480.52 million shares.

## Revenue Structure

2012-2014 Rental and Service Income from anchor tenants and co-tenants of the Company

Tenants	2012		2013		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Anchor Tenants	230.66	29.27%	210.55	27.49%	232.51	27.49%
2. Co-Tenants	557.26	70.73%	555.46	82.51%	552.43	82.51%
Total	787.92	100.00%	766.01	100.00%	784.84	100.00%

## Details of the 25 existing projects (Rental Area and Occupancy Rate)

	Shopping Center	Anchor Tenant	Type of Shopping Center	Gross Leasable Area (Sq.m.)	Occupancy Rate (%)
1	Bangbon	Maxvalu Supermarket	Neighborhood Center	7,206	91
2	Pracha Utit	Maxvalu Supermarket	Neighborhood Center	6,174	98
3	Sukaphiban 3	Tops Market	Neighborhood Center	6,725	96
4	Thonglo 4	Tops Market	Neighborhood Center	3,644	100
5	Thungmahamek	Tops Market	Neighborhood Center	2,877	100
6	The Avenue Chaeng Watthana	Major Cineplex, Villa Market, Lemon Farm,	Lifestyle Center	21,031	79
7	Piyarom Place	Tops Supermarket	Neighborhood Center	7,588	99
8	Cha Choeng Sao	Major Cineplex	Power Center	8,408	100
9	J Avenue (Thonglo 15)	Villa Market	Lifestyle Center	7,765	100
10	Wanghin	B-Quik	Convenience Center	535	100
11	Ladprao 120	Tesco Lotus Express	Convenience Center	643	100
12	Bangkae	Seacon Square	Stand-Alone Retail Store	364	100
13	Meng Jai	B-Quik	Stand-Alone Retail Store	465	100
14	Ratchada-Rama III	B-Quik	Stand-Alone Retail Store	343	100
15	Petchkasem Power Center	Big C, Index, HomeWork, Major Cineplex	Power Center	43,735	100
16	Ekkamai Power Center	Big C, Index	Power Center	15,074	100
17	La-Villa (Phahonyothin)	Villa Market	Lifestyle Center	5,330	98
18	Esplanade (Ratchadapisek)	Major Cineplex, Blu-o Bowl, We Fitness Society, Ratchadalai Theatre, Tops Market, Art in Paradise	Entertainment Center	43,241	98
19	Avenue Pattaya	Major Cineplex, Major Bowl, Villa Market, Premium Outlet	Lifestyle Center	24,113	87
20	Market Place Nawamin	Big C Market	Neighborhood Center	4,175	96
21	Major Avenue Ratchayothin	Villa Market	Lifestyle Center	3,904	100
22	Nawamin City Avenue	Villa Market	Lifestyle Center	7,891	94



	Shopping Center	Anchor Tenant	Type of Shopping Center	Gross Leasable Area (Sq.m.)	Occupancy Rate (%)
23	Festival Walk	Bosch	Lifestyle Center	7,675	85
24	Mega bangna	IKEA, Major Cineplex, Major Bowl, Sub-Zero Ice Skate, Big C, HomePro, Robinson	Super Regional Mall	180,000	100
25	Imagine Village	7-11	Lifestyle Center	3,806	62
	<b>Total</b>			<b>412,712</b>	<b>96</b>

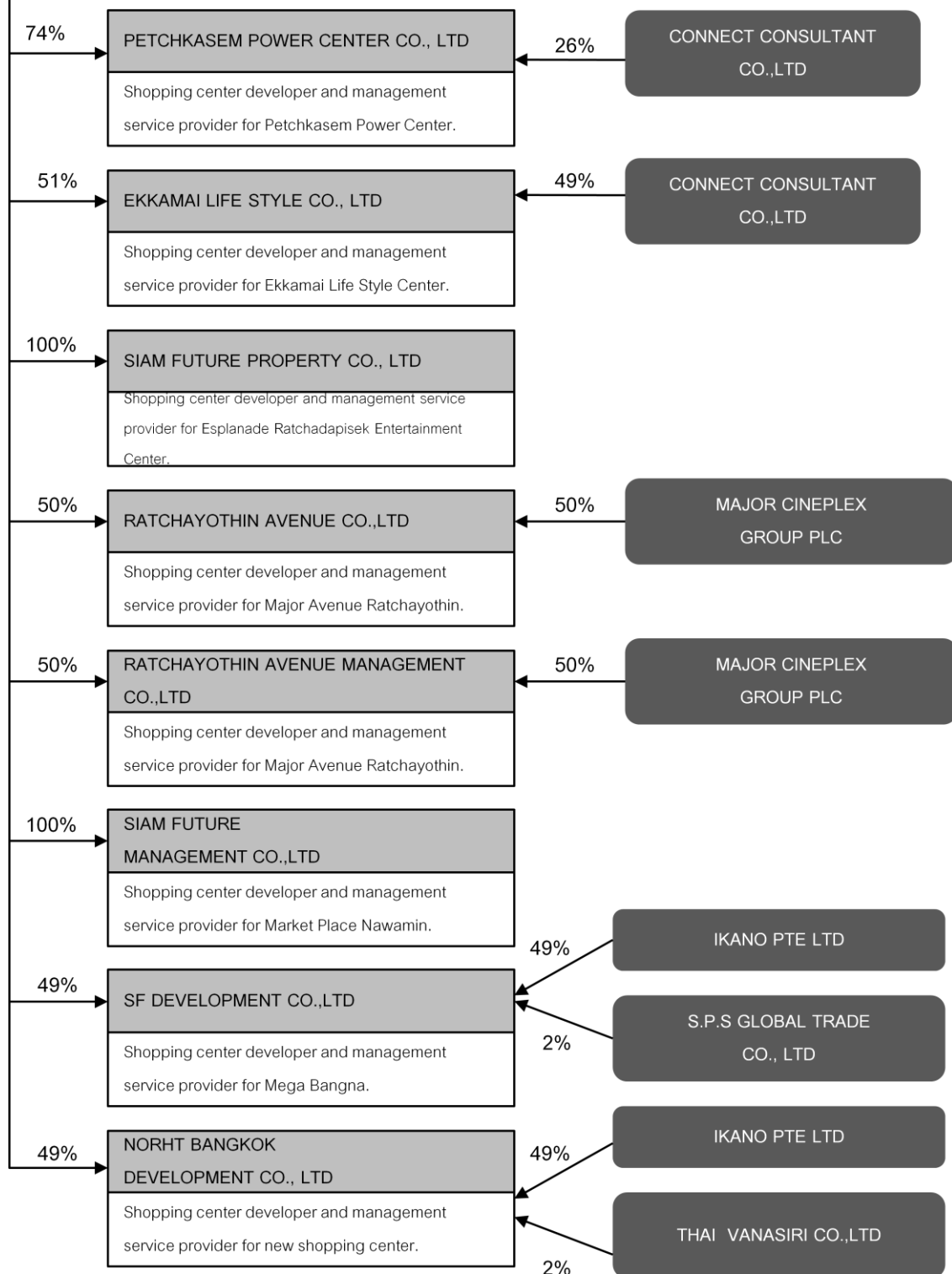
Remarks: As at December 31<sup>st</sup>, 2014.

No. 10, 13-14, Total leasable area are occupied by B-Quik, automotive service workshop, only.

No.25 the Company provides mall management service for Bangkok University.

# SIAM FUTURE DEVELOPMENT PLC

% of shareholder



Remark Shareholding and voting rights are the same proportion.

# Industry Overview and Competition

## Marketing and Competition in the Industry

Growth rate of retail business vary and is consistent with Thailand's GDP growth rate as it depends mainly on the consumption rate of the country's population.

## 2014 Retail Business Overview

Retail industry as a whole expanded gradually, reflecting confidence from private sector to the government. Branch expansion continued, with supermarket growing at 6.5%, convenient store 4.5%, department store 3.4%, specialty store 2.7% and super center 2.6%.

**Growth by the number of branches of each type of retail business in 2014**



Source: Business Development Department, Siam Future Development Public Company Limited

However, purchasing power of the consumers continued to be pressured by living cost difficulty and high level of household debts. From retailer's aspect, main operators in particular, the operator still planned to expand all forms of its stores, be it shopping center or department store, hypermarket or even small retail shop such as convenient store.

## Retail Business 2015 Outlook

Retail and wholesale business, which changed significantly, was crucial to the country. Currently the political situation became more stabilized. Although the consumers' purchasing power had not yet recovered, the confidence tended to improve. It was expected 2015 situation will continue to improve. In the next 5 years, market value of retail business was projected to increase from THB 1.5 trillion at present to THB 1.6 trillion in total, or the increase in average growth from 5% p.a. in 2010 – 2014 to 7 – 8% p.a. (2015 – 2019).

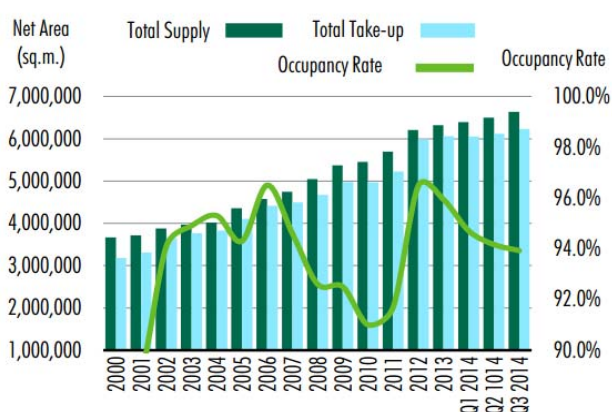
There was a growth in all types of retail business, be it hypermarket, supermarket and convenient store. Convenient stores tended to grow 10% in the past 10 years attributable to the expansion of urbanization as well as AEC free trade. This provided great opportunity from tourist expansion while growth of online trading or e-commerce will rise. Therefore, retail business would need to adapt to keep up with the market.

Whilst the consumer's purchasing power had not clearly recovered, modern retail operators continued to plan for expansion, upcountry in particular, as they saw the opportunity for the expansion upcountry going forward, supported by urbanization and border trade which stimulated the increase in purchasing power. However, pattern of retail shop may vary in each province, depending upon behavior and income level of the consumers in such province.

## Overview of Retail Business in Bangkok

In Bangkok and metropolitan area, the expansion of big retail stores was getting more difficult as appropriate location became harder to find. As such, it was expected the proportion of GDP value of the retail and wholesale sector in Bangkok and metropolitan area comparing with that upcountry would gradually change from 60:40 in 2010 to 55:45 in 2015

Chart demonstrating the overview of demand and supply in Bangkok as at the 3<sup>rd</sup> quarter 2014



Source: Research Department, CB Richard Ellis (Thailand) Co., Ltd.

Intense competition of retail business both in Bangkok and upcountry brought about challenges to the retail operators. Accordingly, retail operation going forward would need to be more than simply trading of goods in shops. It would mean “business operation which can be the first to reach consumers and respond to their behavior (Fast & Smart Moves)”, such as diversified patterns of retail stores, marketing strategy, or even support services which provide satisfaction to the customers so that they are willing to come back.

In the past 2 – 3 years, retail sector, especially modern trade, had continually expanded their stores. Following that, it could be accepted that in major provinces such as Bangkok and major cities, finding appropriate location for

the retail business, big retail store in particular, became more difficult as potential locations had all been occupied by the operators. The areas in other provinces, especially secondary cities, became main target for the expansion in the future attributable to the expansion of urbanization and the growth in border trade which should provide opportunity for retail business expansion.

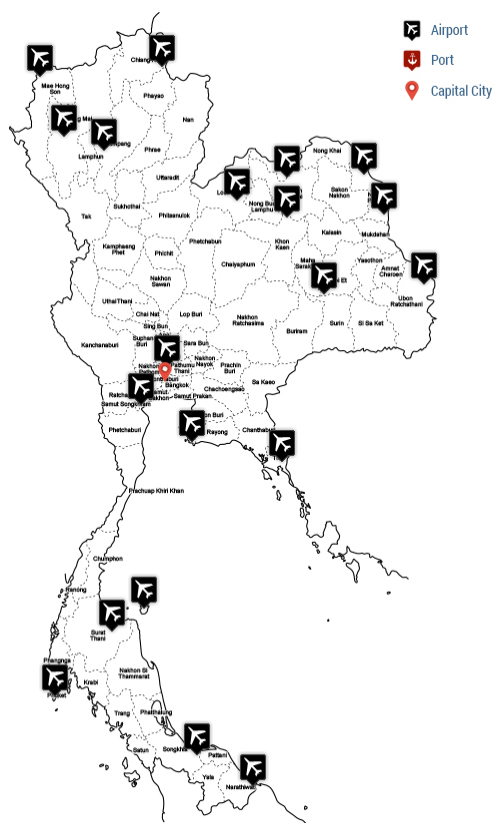
Accordingly, the investment of retail operators started to expand from Bangkok towards upcountry as a result of the expansion of urbanization and the growth in border trade which may result from the countdown of AEC free trade which allows for changes, whether in terms of growth, utility and population income. This would contribute to a change in behavior and lifestyle towards urban society. As such, it was expected substantial opportunity remained for retail business upcountry to expand, as indicated from the gradual increase in the proportion of GDP value of retail and wholesale sector upcountry from 37% in 2005 to 40% in 2012 and was projected to grow to 45% in 2015. Additionally, total sale of department stores of certain major operators grew at an average of approximately 17.5% p.a. (2010 – 2013) which was greater than the average growth of sale from the existing branches at approximately 8.3% p.a. Growth of total sale was derived from the expansion of new branches, mostly in the upcountry, allowing for the increase in the proportion of income from upcountry branches to greater than 65% of total income, illustrating the opportunity for growth of retail business in potential area upcountry.

However, apart from Bangkok and metropolitan area as well as major cities (e.g. Chiang Mai, Phuket, Chonburi and KhonKaen, etc.), there remained several provinces especially secondary cities whose retail business was expected to have a high growth potential in the future, e.g. NakornSawan, Pitsanulok, Udonthani, Srisaket, UbonRatchathani. Although purchasing power of the

consumers in these provinces was lower than the country's average at present, their income growth rate was greater than the country's average, or the growth of at least 8.6% p.a. (Compound Annual Growth Rate:CAGR

2008-2012). Also, the average growth of retail and wholesale value in the past 5 years was greater than 8.8% p.a.

Provinces with high growth potential for retail business in consistent with airport, a connecting point for transportation



List of provinces (classified by region)

Northern	Central
<ul style="list-style-type: none"> <li>Chiang Mai</li> <li>Chiang Rai</li> <li>Mae Hong Son</li> <li>Lampang</li> </ul>	<ul style="list-style-type: none"> <li>Bangkok</li> <li>Petchaburi (Hua Hin)</li> <li>NakornSawan</li> </ul>
Northeastern	Eastern
<ul style="list-style-type: none"> <li>KhonKaen</li> <li>NakornPanom</li> <li>Mukdaharn</li> <li>Roi-Et</li> <li>Loei</li> <li>Nong Kai</li> <li>UbolRatchathani</li> </ul>	<ul style="list-style-type: none"> <li>Chonburi</li> <li>Trad</li> </ul>
	Southern
	<ul style="list-style-type: none"> <li>KohSamui</li> <li>SuratThani</li> <li>Narathiwas</li> <li>Songkla</li> <li>Phuket</li> </ul>

Source: Business Development Department, Siam Future Development Public Company Limited

Simultaneously, some provinces were supported by large market size with large population especially in the municipal area. Also, the consumers' purchasing power (calculated from gross provincial product: GPP) tended to grow at the average of at least 10.0% p.a., such as UbolRatchathani, Nakorn Sri Thammarat, Chiang Rai, Udonthani. These were considered secondary cities with relatively high potential for retail business expansion.

Moreover, provinces along the border, e.g. Nong Kai, Trad, Mukdaharn, SraKaew etc., were another group of provinces which the operators should not overlook. Although the number of population or purchasing power in

these provinces was still not high, consumers' income was expected to gradually increase as a result of border trade which had a high growth potential, especially after the AEC free trade in 2015. They would not support only domestic consumers, but also the consumers from neighboring countries, be it Myanmar, Laos and Cambodia with high purchasing power. Thai products were well accepted and popular amongst this group of consumers. Therefore, these provinces were expected to have a high potential for investment in the future.

Community mall sector in Bangkok continued to expand in general. Many projects were under construction and

scheduled to open in 2014 – 2015, although some community mall projects might fail shortly after the opening. The occupancy and rental rates in retail business slightly increased since the beginning of the year and continued to rise as indicated by new projects entered into the market. Some large shopping centers were under construction and scheduled to complete in 2014 – 2016, especially in the outskirts of Bangkok.

Retail space of approximately 196,000 square meters was completed and opened in the past 9 months of 2014. Total rental space in Bangkok and neighboring areas stood at approximately 6,794,600 square meters. Community malls remained the pattern most opened in the 3<sup>rd</sup> quarter of 2014, i.e. approximately 47% or around 25,200 square meters out of total retail space of 53,200 square meters opened in the 3<sup>rd</sup> quarter. Additionally, the remaining rental space of approximately 393,390 square meters was scheduled to complete in the last quarter of 2014.

Around 52% of total retail space in Bangkok and neighboring areas, or approximately 3,564,700 square meters stood in the outskirts of Bangkok, especially in the eastern part of Bangkok where retail space stood at approximately 1,536,900 square meters.

As at the 3<sup>rd</sup> quarter of 2014 around 59% of total retail space or approximately 4,006,000 square meters belonged to shopping centers while community malls were ranked the second with total space of around 13% or approximately 905,980 square meters. Super store malls were ranked the third with the proportion of around 12% or approximately 816,950 square meters. Community malls replaced super store malls as the second rank after the number of community malls significantly increased in the past few years while few super store malls were opened.

Future supply of approximately 393,390 square meters was scheduled to complete in the last quarter of 2014. Approximately 190,500 square meters were shopping centers and approximately 182,900 square meters were community malls.

## Expansion into Retail Business Upcountry

Major factors affecting pattern of retail stores which will be expanded into potential secondary cities were the number of population especially in the municipal area and purchasing power as reflected primarily through gross provincial product per capita (GPP) and GDP of retail and wholesale trade. Additionally, other supporting factors affecting each type of retail business expansion are:

1. **Department Stores** Attractive provinces are those without large department store and distinction in term of purchasing power as prices of most of the goods sold in the department stores are high. Province which attracts a number of tourists should also be a target for department store expansion. Economy in secondary cities as well as border provinces tends to have a high growth potential. Such provinces are Nakorn Sri Thammarat, NakornSawan, Nong Kai, Mukdaharn, Srisaket, SraKaew, etc.

### *Additional supporting factors*

- *Most tourists have high purchasing power, especially foreigners. Shopping is also considered one of major activities of such group of tourists.*
- *Border trade with high growth potential should be a factor stimulating the purchasing power of the consumers in those areas. Customers with purchasing power from neighboring countries, i.e. Myanmar, Laos and Cambodia, would also be a factor for expansion.*

2. **Hypermarket** Attractive provinces are still those with crowded population as most provinces had already been covered by hypermarkets. However, some provinces still support additional population, e.g. Trang, Pitsanulok and Chiang Rai, whereby the number of stores is still low at the average of 2-3 stores. On a contrary, the number of stores in some major provinces, e.g. Chiang Mai, Phuket and KhonKaen, etc., is more than 6 – 8 stores. Some provinces, e.g. UbolRatchathani and SraKaew, still have the opportunity for branch expansion to support customers both domestically and from neighboring countries.

*Additional supporting factors*

- *The number of population especially in the municipal area should be a major factor for hypermarket expansion.*
- *Border trade should be a factor stimulating the purchasing power of the consumers as well as grocery store merchants. Customers attracted to Thai consumer goods from neighboring countries would also be a factor for expansion.*

3. **Specialty Stores** are retail stores sold only certain goods in the same product line, e.g. Power Buy and Super Sport, etc. Attractive provinces should be those targeted by property sector. Apart from major provinces, there are also several secondary cities and border provinces as a result of economic expansion, e.g. Nakorn Sri Thammarat, Chiang Rai, Pitsanulok, UdonThani and UbolRatchathani, etc.

*Additional supporting factors*

- *The expansion of property sector should be a factor supporting growth in construction materials and home decoration business.*

- *Border trade which stimulates economic growth of the province as a whole should raise the consumers' purchasing power and, as a result, may bring about more urbanization lifestyle of the consumers.*

4. **Community Mall** Attractive provinces are large major cities.

Expansion of retail business in Bangkok and metropolitan area is still not yet saturated for small stores in form of convenient store & community mall, whereas appropriate location for large retail stores, e.g. department store and hypermarket, should be harder to find.

However, there remained attractive areas within Bangkok and metropolitan area for the expansion of certain form of stores, especially small stores such as convenient stores which still have growth potential along the new mass transit lines. A number of condominiums are expected to be constructed in those areas. Even small unique shopping centers like community malls have the opportunity to grow along with the residential projects which dispersed towards the outskirts of Bangkok and metropolitan area.

Nonetheless, it would not be easy for the operators who could not gain competitive edge to succeed. Approaches for community mall to survive and continually grow amidst more intense competition in retail business are positioning and clear customer target.

## Risk Factors

### Risk of land acquisition for new projects

Land is the major raw material in developing and managing the shopping centers. The search for land in a proper area with the upside potential for the business both operationally and financially may take some time. In some area, there are only a few suitable places available. In renting or purchasing the lands, the negotiation with landlords can take both time and effort especially when there are many owners involved in the negotiation. Moreover, the expansion of large modern trade retailers would elevate the Company's risk in the search of lands for new projects as those retailers will compete with the Company in the searching process.

However, with long-time experience in the business, management of the Company has effective skills and techniques in contacting and negotiating with landlords. Thus, the Company has received considerably good conditions in rental agreements for every project. The Company also received the advices from retailers on the land which retailers would like the company to develop the new projects.

About the competition with other retailers in land acquisition, the Company will moderate the risk by signing the memorandum of understanding with landlords before negotiation in order to prevent the owners from contacting with other retailers. The Company tries not to offer higher price for the lands to compete with retailers since the higher price affects the project feasibility or the profit level. In contrast, the Company will negotiate with other competing retailers to develop and manage the shopping centers for them instead.

### Risk of Business Competition

Risk of business competition mostly incurred from the indirect competitors, which are retailers who want to develop and manage the shopping centers themselves. Those retailers would compete with the Company in land acquisition and customers and tenants' attraction. The Company also faces risk of lower number of consumers which are tenants' customers if there are other new shopping centers opened in the nearby areas. This will affect the businesses of tenants, which in turn has an effect on the occupancy rates and rental and service fees of the company. From the past experience, the indirect competition does not have strong impact on the company as the company's projects located in the most outstanding location in the area. In addition, the coverage areas<sup>1</sup> of the Company's open-air shopping centers are only 1-2 kilometers, thus, the company is not significantly affected from the opening of new shopping centers in the same area.

However, in order to reduce the effect of competition and to maintain the occupancy rate and rental and service fees, the company has done promotions occasionally and rolled over the tenants on the magnet areas to attract more tenants and consumers to the shopping centers.

The Company also faces direct competition but at the low magnitude because there are few numbers of open shopping center operators and most of them are small entrepreneurs who are not professional operators. Besides, the other large capitalized competitors For example the discount stores such as Tesco Lotus and Big C are tendency to focus only on retail distributors.

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#### Note

1 Coverage Area is defined by the household area of which the target consumer for tenants located.



Therefore, these competitors are likely to be our potential business partner by our project management services.

## **Risk of Dependence on Anchors of the Neighborhood Shopping Centers**

Anchors in the neighborhood shopping centers will draw co-tenants to Company's projects. Therefore, the Company would incur risk if the anchors terminate the contracts or close their businesses, in which may cause the co-tenants to terminate contracts with the Company. This results in the lower revenue of the firm. However, the Company has requested the down payments of rental and service fees from all anchors and some co-tenants on the contract date, so the risk would be much lower. In case that the anchors terminate the contracts because of their internal policy such as when Seiyu Supermarket ("Seiyu") from Japan, the previous anchor of Sukhapibal 3 neighborhood shopping center, had policy to close its foreign stores, Seiyu then found another anchor (with approval from the Company) to re-rent the spaces (at present, Tops Supermarket is the anchor at Sukhapibal 3). The Company then earns revenue continuously. Moreover, if any tenants close the businesses and do not pay rental and service fees, the Company can repossess the spaces and re-rent to other anchors without refunding of prepaid rental and services fees. Currently, the Company believes that there will be no problem in finding new tenants especially the anchors because of the continuous expansion in retail business. The Company also frequently receives rental demand from potential tenants.

## **Risk of Finding Tenants**

The Company may have risk in finding tenants in some shopping centers such as Bang Bon Project and Pracha Uthit Project where the Company has 30-year contracts with landlords but has only 15- year and 20-year contracts with tenants, respectively. Therefore, in the 15<sup>th</sup> and 20<sup>th</sup> year of mentioned projects, the Company has to find other anchors to rent the spaces for another 15 years and 10

years accordingly. However, the Company believes that there will be no problem in finding the new tenants because of the rapid expansion in retail business. The Company also receives rental demand from potential tenants continuously.

For Bang Bon project, Jusco Supermarket, an existing anchor tenant, had already extended the lease agreement for another 15 years.

Another risk is the risk in finding tenants to meet full occupancy rate especially in some space that are not of the interest of tenants such as on the 3<sup>rd</sup> floor of the shopping centers. The Company solves the problem by finding tenants who do not require the space on the 1<sup>st</sup> and 2<sup>nd</sup> floors but prefer quiet atmosphere on the 3<sup>rd</sup> floor and lower rental fee when compare to the 1<sup>st</sup> and 2<sup>nd</sup> floors such as language schools, tutorial schools, and tae kwon do schools.

Though there are only few spaces left in some shopping centers, the Company strictly consider tenants who are not directly compete with the existing ones, operate the moral businesses, have strong financial position, and create the good tenants mix of each project.

## **Risk of an Increasing cost of Land for the New Projects**

The cost of lands for new projects may increase either because the rental fees increase or because the Company has to purchase the lands. Rental fees may increase due to higher market price of land, The Company may have to purchase land due to landlords want to sell instead of renting in the long-run and there are no other good potential areas for shopping center development in each region. Generally, the Company chooses to develop only the profitable projects. If cost of the lands increase, the Company would charge higher rental and service fees in order to sustain the current rate of return. Then, the Company can reduce risk if an increasing cost of lands.

Due to the stronger competition in retail business, most retailers are willing to pay high rental charge to take advantage of the superior locations over the competitors.

### Risk of Discontinuity on Projects

As the Company rents lands from landlords for the shopping center operation, the Company incurs risk if the rental agreements are not extended after they are expired. However, the Company has 15-30 year long-term rental agreements for most projects. However, the Company intends to extend the contracts as appropriate.

Remaining land lease term From 31 Dec 2014	Gross Leasable Area (sq.m.)	%
Less than 5 years	43,386	11%
5 - 10 Years	30,382	7%
More than 10 years	151,234	37%
Land Ownership	183,904	45%
<b>Total Leasable Area</b>	<b>408,906*</b>	<b>100%</b>

\*Excluding Imagine Village

### Risk of Dependence on Limited Numbers of Experienced Personnel

The development and management of shopping centers require experienced and expert personnel for land acquisition, concept design of projects, tenant finding, and management of the project and common areas. If the Company loses or does not have sufficient number of personnel, the operation would be affected. The Company has prevented this type of risk by, firstly, providing both on-the job training and outside training to improve knowledge, skills, and experience of the employees. Employees of the Company can rotate to do the job in case some resign. Moreover, the Company encourages the employees to acquire additional knowledge about developing and managing the shopping centers. The Company also provides additional source of information, for instance, books, magazines, and other

related techniques that concern the business so that employees have sufficient knowledge and are able to apply the knowledge to actual operations.

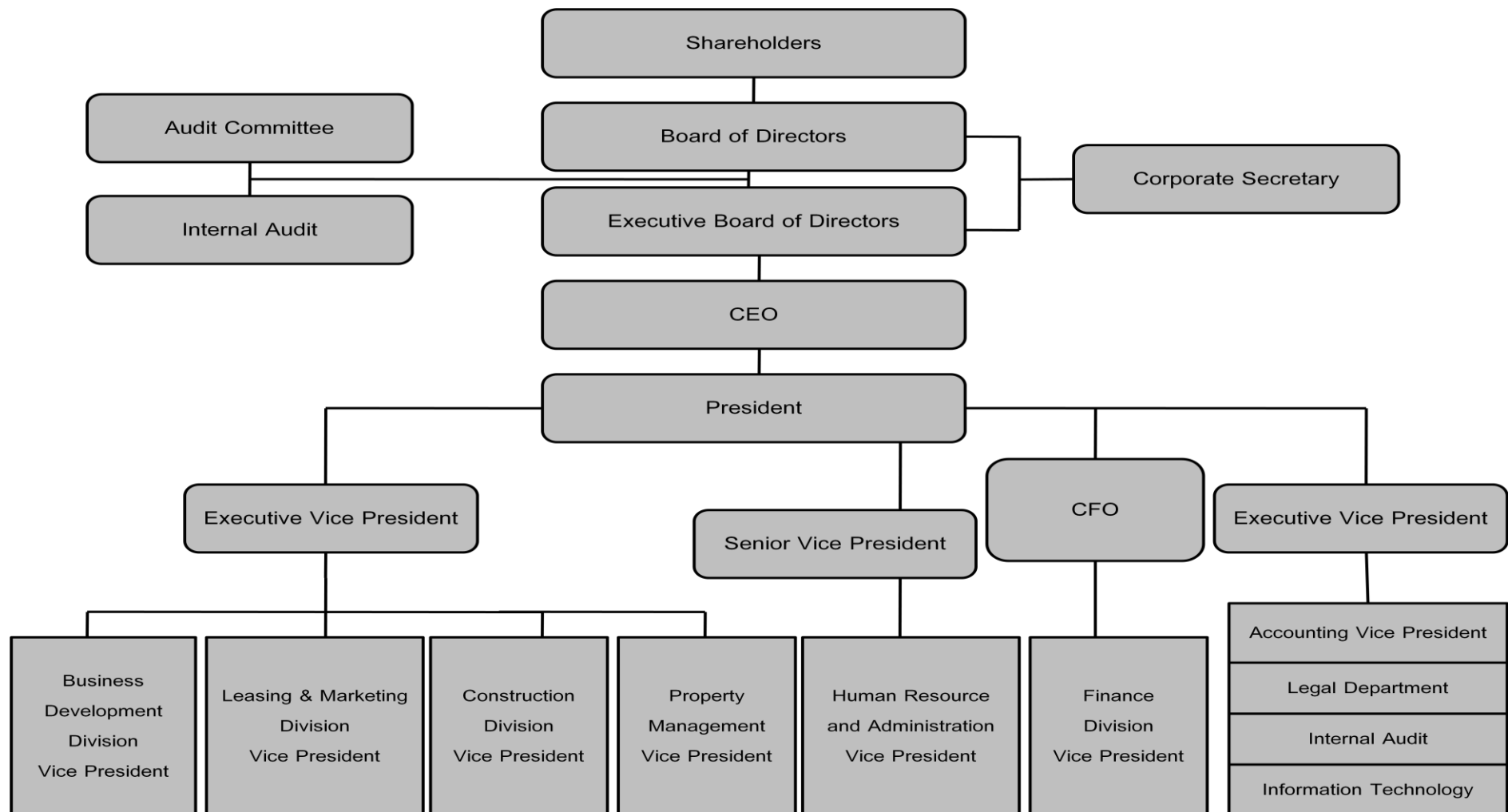
### Risk of the delay from receiving the rent of all projects

Rent of space is the Company's main income. If the tenants are inability to pay the rent on time, it will affect the operating performance of the Company. However, there are groups of long-term lease contracts especially anchors which the Company receive a lump sum of advance rental and service. These anchors have not much burden to pay the rest rental and service fee. Therefore, it can mitigate the risk of not pay the rental and service fee from anchors. Besides, the Company always looks after the rental and service fee payment from both anchors and co-tenants in order to mitigate the risk of delay receiving the rental and service fee.

### Risk of maintaining financial ratio according to Covenants of Debenture

Refer to Covenants of Debenture between Issuer and Debenture holder, the Company must maintain Interest Bearing Debt to Equity Ratio not exceed 1.5 : 1 as at the end of each financial year. As of 31 December 2014, the Company had Interest Bearing Debt to Equity Ratio equal to 0.27 Therefore; the Risk of maintaining financial ratio is less.

## Organization Chart



# Shareholding Structure and Management

## Shareholders

The top 10 major shareholders as listed in the shareholders' registration as at 30 December 2014 are as follows:

	Name of Shareholders <sup>1</sup>	Number of Shares	Percentage
1	Major Cineplex Group Public Company Limited <sup>2</sup>	352,447,986	23.81%
2	LUCKY SECURITIES, INC	119,717,805	8.09%
3	Mr. Nopporn Witoonchart	91,131,302	6.16%
4	Mr. Pongkit Suttapong	85,287,629	5.76%
5	Ms. Artitaya Jantaraprapa	31,501,822	2.13%
6	Mrs. Gasinee Witoonchart	30,953,769	2.09%
7	Mrs. Supan Witoonchart	28,985,751	1.75%
8	Mr. Akrim Jantaraprapa	22,477,258	1.52%
9	Ms. Thanjira Pojkasemsin	21,743,627	1.47%
10	Mr. Sutus Leangdansakul	14,950,000	1.01%
<b>Total</b>		<b>799,196,949</b>	<b>53.98%</b>
<b>No. of ordinary shares</b>		<b>1,480,515,030</b>	<b>100.00%</b>

### Remark:

1 All of top 10 shareholders mentioned above have no relationship related to the Article no. 258 of SET Act year 1992. However, shareholder no.3 and no.6 are related as aunt and nephew and shareholder no.3 and no.7 are related as mother and son, all shareholders are independent.

2 Major Cineplex Group PLC, company's major shareholder, assigns Mr. Vicha Poolvaraluck Mr. Verawat Ongvasith and Ms. Thitapat Issarapornpat as directors of the company.

## Management Structure

Directors of Siam Future Development Public Company Limited can be divided into 3 committees as follows:

1. Board of Directors
2. Executive Board of Directors
3. Audit Committee

### 1. Board of Directors

The Company's Board of Directors consists of 12 directors as at 31 December 2014 are as follows:

	First Name – Last Name	Position
1.	Mr. Oranop Jantaraprapa	Chairman
2.	Mr. Pongkit Suttapong	Vice Chairman
3.	Mr. Nopporn Witoonchart	Director, Chairman of Executive Committee
4.	Mr. Somnuk Pojkasemsin	Director and President
5.	Mr. Kittinanth Sumruatruamphol	Director and Chief Financial Officer
6.	Mr. Vicha Poolvaraluck	Director
7.	Mr. Verawat Ongvasith	Director
8.	Ms. Thitapat Issarapornpat	Director
9.	Mr. Chai Jroongtanapibarn	Independent Director
10.	Ms. Nantiya Montriwat	Chairman of the Audit Committee and Independent Director
11.	Mr. Dej Bulsuk	Member of the Audit Committee and Independent Director
12.	Ms. Sabaihip Suntaros	Member of the Audit Committee and Independent Director

#### **Authorized director**

Directors authorized to sign on behalf of the Company are Mr. Oranop Jantaraprapa, Mr. Pongkit Suttapong, Mr. Nopporn Witoonchart, Mr. Somnuk Pojkasemsin, and Mr. Kittinanth Sumruatruamphol. Documents must be signed by any two of these Directors and affixed with the Company's stamp to bind the Company.

#### **Authority and Responsibility of the Company's Board of Directors**

##### **1. Duty of the Board of Directors**

In performing their duties, the Board of Directors has carefully utilized their knowledge, capability and experiences and complied with the Company's objectives, articles of association and shareholders' resolutions for

the best interest of the Company and responsibility to the shareholders.

##### **2. Review and approval of the appropriate policy**

Except for the matters which prior resolution from the shareholders' meeting is required by law, the Board of Directors is responsible to review and providing opinion on the Company's policies and business strategies proposed by the Executive Board of Directors.

##### **3. Governing of the Executive Board of Directors**

The Board of Directors is responsible for supervising the Executive Board of Directors to effectively comply with the policies set forth and the regulations of SET and SEC on the applicable material matters and connected transactions. The Board of Directors may engage an

independent advisor to provide professional opinion and/or advice to assist the Board of Directors in making their decisions on the matters materially affect the Company's operations, where necessary.

#### 4. Establishment of an internal audit and control

The Board of Directors has supervised the Company to establish the effective internal control and internal audit

systems in order to monitor the operations of the Company and to coordinate with the Audit Committee.

#### 5. Independence of non-executive Directors' duty

The Audit Committee has independently and adequately utilized their discretion in reviewing the Company's strategies, business management, appointment of directors, matters affecting the stakeholders, accessing financial & other business information, operational policies as well as annual budget.

## 2. Executive Committee

The Executive Committee comprises 5 Directors as follows:

	First Name – Last Name	Position
1.	Mr. Nopporn Witoonchart	Chairman of Executive Board
2.	Mr. Vicha Poonvoruluck	Executive Director
3.	Mr. Somnuk Pojkasemsin	Executive Director
4.	Mr. Kittinanth Sumruatruamphol	Executive Director
5.	Ms. Thitapat Isarapornpat	Executive Director

#### Authority and Responsibility of the Executive Committee

1. To command, plan, and operate businesses of the Company following policy determined by Directors.
2. To approve the new investment projects.
3. To approve the expenses or payments beyond the authority of management.
4. To appoint the staff and manage from the department level and above for the benefits of effective and transparent management.
5. To determine the employees' benefits that suit the situations, and norms and at the same time comply with the prevailing laws
6. To perform other functions as occasionally assigned by the Board of Directors.

The approvals from the Executive Committee discussed above will not include transactions related to members the Board of Directors or person with potential conflict of interest with the Company or subsidiary as well as the connected transactions and acquisition/disposal of the material assets of the Company of which resolution from the shareholders is required pursuant to the SET regulation.

### **3. The Audit Committee**

The Audit Committee comprises 3 members as follows:

	<b>First Name – Last Name</b>	<b>Position</b>
1.	Mrs. Nantiya Montriwat	Chairman of the Audit Committee
2.	Mrs. Sabaithip Suntaros*	Member of the Audit Committee
3.	Mr. Dej      Bulsuk	Member of the Audit Committee

\* Mrs. Sabaithip Suntaros is a Member of Audit Committee who has knowledge and experience in Review of Financial Statement.

#### **Authority and Responsibility of the Audit Committee**

1. To review the company's financial report to ensure accuracy and adequacy;
2. To ensure that the company has an appropriate and efficient internal control system and internal audit;
3. To review the company's performance to ensure compliance with the Securities and Exchange Law, the regulations of the Stock Exchange of Thailand or laws relating to the company's business;
4. To consider, select, nominate and propose remuneration of an external auditor
5. To consider the disclosure of the company's information in the case that there is a connected transaction or transaction that may lead to conflict of interest, so as to ensure accuracy and completeness;

6. To prepare the Audit Committee report, duly endorsed by the Chairman of the Audit Committee, to be disclosed in the company's annual report; and

7. To perform any other tasks as assigned by the Board of Directors with the approval of the Audit Committee

In performing the above-mentioned duties, the Audit Committee is directly responsible for the Board of Directors' action. The Board of Directors, however, continues its responsibility to the external parties for the company's operation.

## Management

Management of the Company is as follows:

	First Name – Last Name	Position
1.	Mr. Nopporn Witoonchart	Acting Chief Executive Officer
2.	Mr. Somnuk Pojkasemsin	President
3.	Mr. Kittinanth Sumruatruamphol	Chief Financial Officer
4.	Ms. Pornnipa Rujipairoj	Executive Vice President
5.	Mr. Thongchai Tantisathit	Executive Vice President

**Company's secretary:** Ms. Pornnipa Rujipairoj, who is also in the position of Executive Vice President since May 8<sup>th</sup> 2008.

## Board of Directors' Meeting

In 2012 - 2014, the Company set up the Board of Directors' Meetings as shown below the number of meetings of each director.

Board of Directors	2012 (Totally 5 meetings)	2013 (Totally 5 meetings)	2014 (Totally 5 meetings)
Mr. Oranop Jantaraprapa	5	5	5
Mr. Pongkit Suttapong	4	4	4
Mr. Nopporn Witoonchart	4	5	5
Mr. Somnuk Pojkasemsin	5	5	5
Mr. Kittinanth Sumruatruamphol	5	5	5
Mr. Vicha Poolvaraluck	4	4	5
Mr. Verawat Ongvasith	5	5	5
Mr. Vichate Tantiwanich	4	1	-
Ms. Thitapat Isarapornpat *	Not yet appointed	4	5
Mr. Chai Jroongtanapibarn	4	5	5
Ms. Nantiya Montriwat	5	5	5
Mr. Dej Bulsuk	5	5	5
Ms. Sabaithip Suntaros	5	5	5

The Board of Directors' Meeting has approved a resolution to appoint Ms. Thitapat Isarapornpat as a Director since March 27<sup>th</sup>, 2013.



## Selection of the Directors and Executives

The Company does not have a committee to select the Directors. The qualification, capability, experience and availability to regularly attend the meeting with the Board of Directors are the criteria considered by the Company in selecting the Directors. However, the appointment of Directors must be approved by the resolution of shareholders' meeting, according to the following procedures:

1. Each share has one voting right.
2. Each shareholder may exercise all of his/her voting rights pursuant to 1) above to appoint one or several persons as Director(s). In case the shareholder votes for more than one person, his/her voting right must be allocated equally among the nominees voted for by such shareholder.
3. The Directors will be appointed based upon the number of votes of each nominee and the number of nominees to be appointed will be in accordance with the then vacancy. In a situation where there is more than one nominee with equal number of votes, the final selection will be made by Chairperson of the meeting at his/her discretion.

In the first and second year after becoming a public company, the term of service of one-third of the Board of Directors will expire randomly. In the following years, the Directors who have been in their position for the longest period will be automatically ceased from service. However, the leaving Directors according to their term of service may be re-elected.

## BOARD OF DIRECTORS

### 1. Mr.Oranop Jantaraprapa • Age 67 years • Shareholding 0.29%

Position	Chairman • Authorized director
Education	<ul style="list-style-type: none"> <li>• M.B.A., East Texas State University, U.S.A.</li> <li>• B.A. (Accounting), Chulalongkorn University</li> <li>• The role of Chairman Certification (RCM) in 2004, Thai Institute of Directors Association (IOD)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2002 – Present: Chairman, Siam Future Development Plc, Shopping Center Developer</li> <li>• 1990 – 1993: President, the International Engineering Plc, Telecommunication</li> <li>• 1980 – 1990: Siam Cement Group Vice President of Operation Division, Construction &amp; Supply Machine President, SCT Computer Co., Ltd., Computer President, Pan Supplies Co., Ltd (Siam Cement Group), Construction Material &amp; Decoration Manager of Accounting department, Manager of Trading department, Manager of Finance department, Siam Cement Trading Co., Ltd International Trading</li> </ul>

### 2. Mr. Pongkit Suttapong • Age 54 years • Shareholding 6.76%

Position	Vice Chairman • Authorized director
Education	<ul style="list-style-type: none"> <li>• M.B.A. (Marketing), National Institute of Development Administration (NIDA)</li> <li>• B.E. (Industrial Engineering), Khon-Kaen University</li> <li>• Director Certification Program (DCP) Class #35, Thai Institute of Directors Association (IOD)</li> <li>• Politics and Governance in Democratic Systems for Executives Class #9 (Por Por Ror. 9), King Prajadhipok's Institute, year 2005</li> <li>• The Joint State-Private Class #19, National Defense College, (Wor Por Or. 2006), year 2006</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 1994 – Present: Vice Chairman, Siam Future Development Plc., Shopping Center Developer</li> <li>• 1993 – 1994: Director &amp; General Manager, The International Engineering Public Co., Ltd., Telecommunication</li> <li>• 1990 – 1993: Senior Vice President, The International Engineering Public Co., Ltd., Telecommunication</li> <li>• 1989 – 1990: Regional Marketing Manager (South East Asia) Nokia Mobile Phone, Nokia (SEA) PTE. LTD, Singapore Office</li> <li>• 1986 – 1989: Mobile Phone Department Manager, The International Engineering Public Co., Ltd., Telecommunication</li> <li>• 1984 – 1986: Marketing Planning Manager, Sabina Fareast Co., Ltd., Lingerie</li> </ul>

### 3. Mr. Nopporn Witoonchart • Age 50 years • Shareholding 6.18%

Position	Director • Chairman of Executive Board • Authorized director
Education	<ul style="list-style-type: none"> <li>• B.E. (Computer Engineering), King Mongkut's Institute of Technology</li> <li>• Director Certification Program (DCP # 70) in 2005, Thai Institute of Directors Association (IOD)</li> <li>• Capital Market Academy (CMA #8) 2009</li> <li>• Top Executive Program in Commerce and Trade (TEPCoT # 3), Commerce Academy 2010</li> <li>• Top Executive Program in Urban Green Development (Mahanakorn #1), Urban Green Development Institute Bangkok 2011</li> <li>• Diploma, National Defence College, The Joint State – Private Sector Course Class 55 , National Defence college of Thailand</li> <li>• Top Executive Program in Industry and Investment Business Development, Institute of Business and Development (IBID1)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 1994 – Present: Director, Chairman of Executive Board, Siam Future Development Plc., Shopping Center Developer</li> <li>• 1994 – Present: Managing Director, Siang Somboon Co., Ltd., Real Estate</li> <li>• 1990 – Present: Executive Director, Witoon Holding Co., Ltd., Real Estate</li> <li>• 1987 – 1990: Engineer, SCT Computer Co., Ltd. (Siam Cement Group), Computer</li> </ul>

### 4. Mr. Somnuk Pojkasemsin • Age 57 years • Shareholding 0.20%

Position	Director • Executive Director • President • Authorized Director
Education	<ul style="list-style-type: none"> <li>• M.S. (Accounting), Thammasat University</li> <li>• B.A. (Accounting), Chulalongkorn University</li> <li>• Director Accreditation Program (DAP) in 2005, Thai Institute of Directors Association (IOD)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2002 – Present: Director, President, Siam Future Development Plc, Shopping Center Developer</li> <li>• 2001 – 2002: Corporate Services Group Director, Motivation Asia (Thailand) Ltd., Marketing Service</li> <li>• 1995 – 1999: Senior Vice President Internal Affair, The International Engineering Public Co., Ltd. (IEC), Telecommunication</li> <li>• 1991 – 1995: Vice President Finance &amp; Administrative Division, International Engineering Public Co., Ltd. (IEC), Telecommunication</li> <li>• 1988 – 1991: Finance Manager, Bangkok Weaving Mill Co., Ltd., Weaving</li> <li>• 1985 – 1988: Cost Accountant, Laem-Thong Corporation, Agricultural Industry</li> <li>• 1980 – 1985: Senior Auditor, SGV-Na Thalang &amp; Co., Ltd., Audit Firm</li> </ul>

**5. Mr. Kittinanth Sumruatruamphol • Age 52 years • Shareholding 0%**

Position	Director • Executive Director • Chief Financial Officer • Authorized Director
Education	<ul style="list-style-type: none"> <li>• MBA (Finance), Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>• Bachelor of Computer Science, Boston University, Massachusetts, USA.</li> <li>• Director Accreditation Program (DAP) in 2004, Thai Institute of Directors Association (IOD)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2009 – Present: Director, Executive Director, and Chief Financial Officer, Siam Future Development Plc. Shopping Center Developer</li> <li>• 2005 – 2008: Director of Research, Hunters Investments, Fund</li> <li>• 2004 – 2005: Advisor, Hard-thip Plc.</li> <li>• 2003 – 2004: Chief Investment Officer, Siam Commercial Asset Management Co., Ltd.</li> <li>• 2002 – 2003: Executive Vice President, Siam Commercial Securities Co., Ltd</li> <li>• 1997 – 2002: Head of Thailand Research, Salomon Smith Barney, Financial Advisor</li> </ul>

**6. Mr. Vicha Poolvaraluck • Age 51 years • Shareholding 0%**

Position	Director
Education	<ul style="list-style-type: none"> <li>• MBA , United States International University of San Diego, USA.</li> <li>• B.A. (Accounting), Chulalongkorn University</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2003 – Present: Director, Siam Future Development Plc., Shopping Center Developer</li> <li>• 2012 – Present: Chairman of Executive Committee, Major Care Foundation</li> <li>• 1998 – Present: Director, Chairman of Executive Board, Major Cineplex Group Plc., Cinema and Bowling</li> </ul>

**7. Mr. Verawat Ongvasith • Age 44 years • Shareholding 0.03%**

Position	Director
Education	<ul style="list-style-type: none"> <li>• MBA, Boston University, USA.</li> <li>• B.A. (Accounting), Chulalongkorn University</li> <li>• Director Accreditation Program (DAP) in 2004, Thai Institute of Directors Association (IOD)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2003 – Present: Director, Siam Future Development Plc., Shopping Center Developer</li> <li>• 2003 – Present: Chairman of Executive Board, Oak tree Co.,Ltd., and Sofitel So Bangkok Co.,Ltd., Hotel</li> <li>• 2001 – Present: Director, Executive Director, Major Cineplex Group Plc., Cinema and Bowling</li> <li>• 2004 – Present: Chairman of Executive Board, Veranda Resort and Spa Co.,Ltd., Hotel</li> <li>• 1996 – Present: Managing Partner, Vivat Construction Co.,Ltd., Construction</li> </ul>

**8. Ms.Thitaphat Issarapornpat • Age 46 years • Shareholding 0%**

Position	Director
Education	<ul style="list-style-type: none"> <li>• MBA, Chulalongkorn University</li> <li>• Bachelor of Accounting, Ramkamhaeng University</li> <li>• Director Certification Program (DCP 148/2554)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2013 – Present: Director, Siam Future Development Plc, Shopping Center Developer</li> <li>• 2013 – Present: Chief Finance Officer, Major Cineplex Group Plc.</li> <li>• 2012 – Present: Director, K Arena Co., Ltd.</li> <li>• 2012 – Present: Director, Thai Ticket Major Co., Ltd.</li> <li>• 2012 – Present: Director, M Pictures Entertainment Plc.</li> <li>• 2012 – Present: Director, M Pictures Co., Ltd.</li> <li>• 2012 – Present: Director, MVD Co., Ltd.</li> <li>• 2012 – Present: Director, M Thirty Nine Co., Ltd.</li> <li>• 2011 – Present: Director, Talent 1 Co., Ltd.</li> <li>• 2011 – Present: Director, EGV Entertainment Plc.</li> <li>• 2009 – 2013: Finance &amp; Accounting Director, Major Cineplex Group Plc.</li> <li>• 1991 – 2009: Accounting Manager, Wiik&amp;Hoeglund Plc.</li> </ul>

**9. Mr. Chai Jroongtanapibarn • Age 60 years • Shareholding 0%**

Position	Independent Director
Education	<ul style="list-style-type: none"> <li>• M.S. (Accounting), Thammasat University</li> <li>• B.A. (Accounting), Chulalongkorn University</li> <li>• Director Certification Program (DCP), in 2003, Thai Institute of Directors Association (IOD)</li> <li>• Audit Committee Program (ACP) in 2005, Thai Institute of Directors Association (IOD)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2003 – Present: Independent Director, Siam Future Development Plc., Shopping Center Developer</li> <li>• 2002 – Present: Independent Director and Chairman of the Audit Committee, Major Cineplex Group Plc, Cinema and Bowling</li> <li>• 2007 – Present: Independent Director and Audit Committee, Siam Food Plc., Exporting of Canned fruits</li> <li>• 2006 – Present: Independent Director and Audit Committee, Oishi Plc., Softdrink &amp; Restaurants</li> <li>• 2004 – Present: Independent Director and Chairman of the Audit Committee, Thai Metal Trade Plc., Steel trading and services</li> <li>• 2000 – Present: Chairman of the Audit Committee, Team Precision Co.,Ltd., Electronic Circuit</li> <li>• 1982 – 1997: Executive Director and Chief Financial Officer, The Minor Group, Hotel, Restaurants, Trading &amp; Manufacturing</li> </ul>

**10. Mrs. Nantiya Montriwat • Age 66 years • Shareholding 0.29%**

Position	Independent Director and Chairman of the Audit Committee
Education	<ul style="list-style-type: none"> <li>• M.A. (Actuarial Science), University of Manitoba, Canada</li> <li>• B.A. (Statistics), Chulalongkorn University</li> <li>• Director Certification Program (DCP) In 2000, Thai Institute of Directors Association (IOD)</li> <li>• Audit Committee Program (ACP) In 2005, Thai Institute of Directors Association (IOD)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2002 – Present: Chairman of the Audit Committee, Siam Future Development Plc, Shopping Center Developer</li> <li>• 2008 – Present: Director, Thai Samut Asset Co., Ltd.</li> <li>• 2007 – Present: Director, Muang Thai Real Estate Pcl.</li> <li>• 2007 – Present: Chairman, Muang Thai Management Co., Ltd.</li> <li>• 2004 – 2008: Advisor to the President, Muang Thai Life Assurance Co., Ltd.</li> <li>• 2000 – 2003: Senior Executive Vice President, Muang Thai Life Assurance Co., Ltd.</li> <li>• 1999 – 2008: Director, Muang Thai Insurance Co., Ltd.</li> </ul>

**11. Mr. Dej Bulsuk • Age 64 years • Shareholding 0.15%**

Position	Member of the Audit Committee and Independent Director
Education	<ul style="list-style-type: none"> <li>• Bachelor degree, Faculty of Commerce &amp; Accountancy, Thammasat University</li> <li>• Director Accreditation Program (DAP) in 2004, Thai Institute of Directors Association (IOD)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2004 – Present: Member of the Audit Committee and Independent Director, Siam Future Development Plc., Shopping Center Developer</li> <li>• 2011 – Present: Independent Director, Patum Rice Mill and Grannary PCL.</li> <li>• 2011 – Present: Chairman of Nomination and Remuneration Committee, GMM Grammy PCL.</li> <li>• 2004 – Present: Chairman of Executive Board, CCC Business Development Co., Ltd.</li> <li>• 2004 – Present: Member of the Audit Committee and Independent Director, The Erawan Group PCL.</li> <li>• 2002 – Present: Member of the Audit Committee and Independent Director, GMM Grammy PCL.</li> <li>• 2001 – Present: Member of the Audit Committee and Independent Director, AEON Thana Sinsap (Thailand) PCL.</li> <li>• 2002 – 2013: Member of the Audit Committee and Independent Director, Jay Mart PCL..</li> <li>• 2006 – 2009: Advisor Director, President Bakery PCL.</li> <li>• 2002 – 2009: Member of the Audit Committee and Independent Director, GMM Media PCL.</li> <li>• 2004 – 2006: Honorary Chairman, McThai Co., Ltd. (McDonald's Thailand), Fast Food</li> </ul>

- 2001 - 2006: Chairman, Ronald McDonald's House Charities
- 1984 – 2004: Founder and President, McThai Co., Ltd. (McDonald's Thailand), Fast Food

**12. Mrs. Sabaithip Suntaros • Age 67 years • Shareholding 0.07%**

Position	Member of Audit Committee and Independent Director
Education	<ul style="list-style-type: none"> <li>• B.A. (Accounting), Chulalongkorn University</li> <li>• Director Accreditation Program (DAP) in 2005, Thai Institute of Directors Association (IOD)</li> <li>• Audit Committee Program (ACP) in 2005, Thai Institute of Directors Association (IOD)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2003 – Present: Member of Audit Committee and Independent Director, Siam Future Development Plc, Shopping Center Developer</li> <li>• 2009 – Present: Independent Director, Hua Seng Heng Gold Future Co., Ltd., Trading Gold Future</li> <li>• 2003 – 2006: Member of working group, TISCO Charity Foundation</li> <li>• 2001 – 2002: Senior Vice President Custodian Services, TISCO Finance Plc.</li> <li>• 1997 – 2001: Senior Vice President Financial Division, TISCO Finance Plc.</li> </ul>

Remark:

- No relationship among each director.
- Shareholding includes spouse and not sui juris (legal age) children's shareholding as listed in the shareholders' registration at 30 December 2014.

## Management

### 1. Mr. Somnuk Pojkasemsin • Age 57 years

Please see the Details in Board of Directors.

### 2. Mr. Kittinanth Sumruatruamphol • Age 52 years

Please see the Details in Board of Directors.

### 3. Ms. Pornnipa Rujipairoj • Age 51 years

Position	Executive Vice President
Education	<ul style="list-style-type: none"> <li>• MBA Thammasat university</li> <li>• MBA Bangkok University</li> <li>• B.B.A. Chulalongkorn University</li> <li>• Politics and Governance in Democratic Systems for Executives Class (Por Por Ror # 17), King Prajadhipok's Institute</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• 2004 – Present: Executive Vice President, Siam Future Development Plc., Shopping Center Developer</li> <li>• 1991 – 2004: Senior Vice President, International Engineering Public Co., Ltd. (IEC), Telecommunication</li> <li>• 1988 – 1991: Senior Auditor Assistance, Deloitte Touche Tomutsu (Thailand) Co.,Ltd., Ltd., Audit Firm</li> </ul>

### 4. Mr. Thongchai Tantisathit • Age 43 years

Position	Executive Vice President
Education	• B.A. Business Economics University of California, Los Angeles, USA
Experience	<ul style="list-style-type: none"> <li>• 2014 – Present: Executive Vice President, Siam Future Development Plc., Shopping Center Developer</li> <li>• 2011 – 2013: Vice President Business Development, Central Retail Corporation Co., Ltd. Shopping Center Developer</li> <li>• 1997 – 2000: Company Operate Service Station Manager (COSS), Mobil oil (Thailand) Plc</li> <li>• 1996 - 1997: Manager, General Administration, Metro Chrysler Co., Ltd.</li> </ul>



# Report on Compliance with Principles of Good Corporate Governance

The Board of Directors of the Company is aware of its role, authorities and responsibilities under the code of best practices of the listed company's director to enhance the transparency and trustworthiness of the Company and its operation as well as the sustainable growth. The Company has complied with good corporate governance guideline and established the policy and operation procedure that are consistent with the Company's characteristics as follows:

## *Section 1 Shareholders' Rights*

The Company realizes the shareholders' rights and sufficiency and timeliness of information provided for decision making purpose. The disclosure of the Company's news and information are in compliance with the requirement of related authorities. For example, shareholders' meeting invitation was sent to the shareholders together with annual report and supporting information for meeting agendas as well as the opinion of the Board of Directors of the Company prior to the meeting date according to the requirements of related regulations. The disclosure of the information to shareholders is made in accordance with SET requirements. The Company's news is also disclosed via electronic channel of SET. The Company's directors realize the importance of shareholder's meeting and thus attend every shareholder's meeting. In Year 2013, the Company held 1 shareholders' meeting, i.e. 1 Annual General Meeting of Shareholders, where all directors attended and the Chairman of the Meeting provided all shareholders an equal opportunity to raise questions, express opinion and make recommendations. The Company accordingly attended those opinions and recommendations given by shareholders, answered to questions asked and provided information as requested by the shareholders completely. In Year 2012, the

Company has started providing information to support meeting agenda on the Company's website prior to sending the invitation to shareholders. As such, the shareholders could send their questions prior to the meeting date.

## *Section 2 Equitable Treatment of Shareholders*

The Company has allowed the shareholders who cannot attend the meeting in person to exercise their right through such other persons as an Independent Directors of the Company to attend the meeting and vote on their behalves as their proxies. The Company has provided the proxy form which allows the shareholders to indicate their vote in the form. In addition, the shareholders who are the Company's management do not add any agenda to the meeting without prior notification unnecessarily. The Company uses the voting ballot for the voting on every agenda. This is to enhance transparency and allow subsequent audit in case of dispute.

As the Company has commenced the disclosure of information for the shareholders' meeting on the Company's website in Year 2012, the minority shareholders of the Company thus could propose additional agenda prior to the meeting date and nominate the person for the Company's directors.

In order to avoid conflict of interest, the Company has established policy and operation procedure regarding the transactions with potential conflict of interest and connected transactions as well as the rules to prevent the Company's executives from using inside information for personal benefit as follows:

- The Board of Directors of the Company has the authority to consider investment or connected transaction. However, the connected directors or

directors who might have conflict of interest cannot vote on such matter in the meeting.

- Directors and executives are required to report the changes in their holding of the Company's securities according to SEC and SET requirements.
- Rules are established to prohibit the Company's executives from trading the Company's securities within a period of 1 month prior to the disclosure of the Company's financial statements to public.

In addition, the Company has monitored the usage of inside information which requires its executives and employees to treat information of the Company and its customers on a confidential basis and prohibits the usage of such information made known to them as part of their responsibilities for personal benefit which might cause damage to the Company and its customers.

### ***Section 3 Roles of Stakeholders***

The Company recognizes the rights of all stakeholders, and has in place a policy whereby all stakeholders' rights have been safeguarded and fairly treated. Those policies include equitable treatment to business alliances, appropriate compensation to employees and executives according to their scopes of responsibility and strict compliance with applicable laws. The Company has not set out a written policy on the protection of the environment and society which may have an impact on the business operation of the Company. The Company, however, has emphasized on the environment and ambience in developing the shopping plaza projects by dedicating most of common areas to be the green area filled with plants to create refreshing atmosphere for the customers. Additionally, the Company emphasizes on the living condition of communities in the areas nearby the shopping plaza projects.

### ***Section 4 Disclosure and Transparency***

The Company has a policy pertaining to corporate governance which seriously emphasizes on the equitable treatment to all parties such as shareholders, the Company's stakeholders or related persons by sufficiently and transparently disclosing verifiable information. The Company also has in place a mechanism to assess and control the inevitable risk associated with the operation of the Company, and to have adequate control and internal audit. In addition, the Company establishes the policy pertaining to operation in compliance with the requirement of laws and common business ethics.

The Company has not established a specific unit to cope with investor relation matter as such activity is still relatively limited. However, it has assigned the appropriate personnel to answer the questions and communicate with investors and analysts from various institutions as deemed appropriate. The Company has constantly and timely disclosed complete and accurate financial and non-financial information via electronic channels, other media of SET as well as the Company's website. The investors can also request additional information of the Company at telephone number 02-660-9464-5, 02-660-9474 or via <http://www.siamfuture.com>. Presently, the information disclosed on the website is in Thai language and English language.

The Board of Directors of the Company has responsibility to ensure that the Company's financial statements, including financial information disclosed in the Annual Report, have been prepared according to the generally accepted accounting principles in Thailand based on appropriate accounting policy which are consistently applied with due care consideration, best estimate and adequate disclosure of important information in the notes to financial statements. The Board of Directors has managed to maintain the effective internal audit system to

reasonably ensure that the accounting information is accurately and completely recorded in order to maintain the assets and induce reasonable confidence on the reliability of the Company's financial statements.

The policy regarding remuneration of the Company's directors and executives is clear and transparent in which the shareholders will determine the amount of remuneration of the Board of Directors for each year. The Company's Board of Directors has a policy to appropriately determine the amount of directors' remuneration in order to attract and maintain capable directors with the Company.

## ***Section 5 Responsibilities of the Board of Directors***

### **1. Structure of the Board of Directors**

- 1.1 In the Board of Directors, 2 of them are executive directors whilst 6 of them are non-executive directors and 4 are independent directors. The number of independent directors accounts for 33% of the Board of Directors and thus allows the effective balance of power and review of the operation. The remaining Board members are from each group of shareholders proportionately to their investment.
- 1.2 The service term of directors has not been clearly specified.
- 1.3 The Board of Directors has considered the appropriateness of the determination of qualifications of the "Independent Director" in order for the Company's Independent Director to be truly independent and suitable for the unique characteristics of the Company.
- 1.4 The Board of Directors has not yet determined the number of other companies that each of the Company's directors can be appointed as the

director that would suit the characteristics or business nature of the Company.

- 1.5 The Board of Directors has not clearly determined the policy and guidelines on taking a position as the directors of other companies of the Chief Executive Officer and top executives of the Company.
- 1.6 The Company's Chairman of the Board of Directors and Chief Executive Officer are not the same person and has different responsibilities. The authority and responsibility of Chairman of the Board of Directors and Chief Executive Officer are clearly defined.
- 1.7 At present, Chairman of the Board of Directors is not an independent director.
- 1.8 In Year 2009, the Company has appointed the Company's secretary whose responsibility are to advise Board of Directors on related law and regulations the Board of Directors should be aware of, administer the activities of the Board of Director and coordinate with concerned parties to implement the Board of Directors' resolutions.

### **2. Committees**

- 2.1 In addition to an Audit Committee which is required by the regulation of SET, the Company also establishes other subcommittees for the purpose of good governance, i.e. Remuneration Committee and Nomination Committee. At present, the Board of Directors of the Company also assumes the role of Remuneration Committee.
- 2.2 For the sake of transparency and independence in the operation, the majority of subcommittee members are independent directors and Chairman of the subcommittees are independent directors.
- 2.3 Chairman of the Board of Directors is not a Chairman or member of the subcommittees to allow true independence in the operation of subcommittees.

### 3. Roles and Responsibilities of the Board of Directors

- 3.1 The Board of Directors of the Company has participated in approving the Company's vision, mission, strategy, target, business plan and budget of the Company. It also clearly defines the role and responsibility of the Board of Executive Directors and the executives as well as monitors to ensure that the executives follow the predetermined plan and budget effectively and efficiently.
- 3.2 The Board of Directors will set the corporate governance policy in writing and will approve such policy. It will also regularly review the policy and the implementation of such policy once a year at minimum.
- 3.3 According to the Company's mission, the Board of Directors, the executives and employees are required to perform their duties with integrity, fairness and responsibility in order for the operation to be transparent and verifiable.
- 3.4 The Board of Directors has reviewed the conflict of interest matter with due care. The guideline for considering the transaction with potential conflict of interest should be clear and based on the benefit of the Company and shareholders as a whole. The directors with conflict of interest should not be involved in making decision. The Board of Directors has monitored to ensure that related operation procedures are fully complied with and related information of the transaction with potential conflict of interest is disclosed accurately and adequately.
- 3.5 The Company is aware of the importance of effective internal audit system which will enhance the operation transparency. The effective internal control system also helps improve and thus optimize the effectiveness of operational system. However, the Company is still considered a small business in terms of the number of employees and relatively simple management structure. This is considered one of its

competitive advantages that allow the supervision and internal audit to be simply conducted through a review of levels of approval limit, review of document flow and a clear segregation of duty. In addition, the Company monitors the usage of its assets in order to generate the best return while appropriately allows balance of power and cross-checking within the organization. In 2008, the Company appointed an internal audit firm to improve the internal audit system more effectively.

- 3.6 The Company also has the risk management in place in order to minimize the damage which might be incurred by obtaining opinion from independent financial expert prior to entering into any transaction which might involve the risk, such as registering long-term lease of land with significant contract value comparing to value of total assets of the Company or offering the Company's ordinary shares through private placement.

### 4. Board of Directors Meeting

- 4.1 The Company has scheduled the Board of Directors' meeting in advance and informed each Director of such schedule to ensure that they can manage the time to attend the meeting.
- 4.2 Normally, the Board of Directors' meeting is convened every three months with the meeting date scheduled in advance. Additional meeting may be held as necessary. The secretary of the Board of Directors will prepare the document, meeting invitation together with meeting agenda and circulate to the Board members 7 days prior to the meeting date to allow sufficient time for the Board of Directors to study the information before attending the meeting. However, the Company convenes the meeting of Executive Board of Directors on a monthly basis and provides report on operating performance to other members of the Board of Directors every time.

- 4.3 Chairman of the Board of Directors and Chief Executive Officer consider the agenda for Board of Directors' meeting together to ensure that all important matters are included in the agenda. Each director is free to propose the matter to be included in the meeting agenda.
- 4.4 In Year 2013, there were 5 Board of Directors' meeting and each meeting lasted for approximately 2-3 hours. The secretary of the Board of Directors has taken the note and prepared the minutes of each meeting in writing as well as keeping the minutes of the Board of Directors' meeting which have been approved by the Board of Directors for review.
- 4.5 The Board of Directors will support the Chief Executive Officer to invite top executives to attend the Board of Directors' meeting to provide additional information as they are directly involved in the matter and for the Board of Directors to know the top executives better which will be useful in considering succession plan.
- 4.6 The Board of Directors has requested for additional information as necessary within the predetermined scope from Chief Executive Officer or the Company's secretary or other designated executives.
- 4.7 The non-executive directors can hold meeting among themselves, without the management team, as necessary to discuss the management issues of their interest and inform the Chief Executive Officer the outcome of such meetings.

## 5. Board of Directors' Self-Assessment

The Board of Directors has arranged to assess themselves in order for the Board of Directors to jointly consider the performance and issues for further improvement. The benchmark for performance evaluation will be systematically predetermined.

## 6. Remuneration

- 6.1 Remuneration of the Board of Directors is comparable to the industry level taking into account the experience, duty, scope of work, accountability and responsibility as well as the contribution from each Director. Directors who are assigned with additional tasks and responsibilities, such as member of subcommittees, will receive appropriate additional remuneration.
- 6.2 Remuneration of the Chief Executive Officer and top executives is in accordance with the principle and policy fixed by the Board of Directors within the limit approved by the shareholders' meeting. For the best interest of the Company, level of salary, bonus and long-term incentive of each executive should be consistent with the Company's and their performance. The remuneration of the Company's Board of Directors and executives in Year 2014 comprised salary, meeting allowance and provident funds totaling Baht 20.78 million. Details of such are as follows:
1. 12 Board of Directors' members received meeting allowance of Baht 6 million in total.
  2. 5 Executive Board of Directors' members and the Company's management received remuneration of Baht 11.51 million in total.
  3. Other compensations included provident funds of Baht 3.27 million.

All non-executive directors or Remuneration Committee will appraise the performance of the Chief Executive Officer annually to set the compensation of the Chief Executive Officer. The criteria of the appraisal, however, will be mutually agreed upon by the Chief Executive Officer. Such criteria will be objective and take into account financial performance, long-term strategy performance and career development plan for executives, etc.

## 7. Board of Directors and Management Training

7.1 The Board of Directors has encouraged and facilitated training on corporate governance of the Company for all internal parties, such as director, Audit Committee, executives and the Company's secretary, by sending them to attend the training course arranged by Thai Institute of Directors (IOD) to enable them to continuously enhance their operation.

7.2 In case where the new director is appointed, the management will provide new director with all documents and information useful to perform their jobs as well as providing such new director with introduction on nature of business and business operation guidelines of the Company.

7.3 The Board of Directors will establish an objective development and succession plan in writing which will allow the Chief Executive Officer and top executives to prepare their successors in case they cannot perform their duties.

In relation to the development program for executives, the Company has arranged its executives to attend conferences and seminars held by International Council of Shopping Centers (ICSC), an international organization established with an objective to provide knowledge on shopping center, information, news and statistics related to shopping centers and retail business around the world as well as to strengthen the relationship among professionals in shopping center business.

# Corporate Social Responsibility: CSR

## Overall Policy on Social Responsibility

The Company is the no. 1 operator of open-air shopping center development and management. Its vision is “Unlike other developers, we create a place for people first then business”.

Last year the Company continued to be abided by good governance principles, transparent and professional quality management pursuant to business ethics and governance principles for the benefit of all stakeholders. It, therefore, emphasized on improving the existing shopping centers to maintain customer bases, thereby causing stable development of the Company's shopping centers, creating decent profit and sustainable return to the shareholders in a long run. The Company needed to use careful judgment in considering a new project in order that the return will worth the investment. The Company has the following approaches regarding the social and environmental responsibilities:

### Responsibilities to the Consumers

The Company has continually developed shopping centers to gain confidence from the customers while simultaneously focusing on differentiating itself from other operators to respond to diversified needs of the customers and to increase access to all groups of customer. The customers as well as lessees were well taken care of. For safety of the customers, security guards were arranged all over the shopping centers while surveillance cameras were put in place. The Company is also a member of the International Council of Shopping Centers (ICSC) which should provide confidence to the customers in the international standard of its shopping centers.

### Environmental Management

The Company emphasizes on and is aware of a negative impact to the environment. Therefore, before starting the project, the Company will take into account community, source of utilities, safety, traffic and transportation factors as well as will strictly comply with the rules, regulations and laws relating to property development. In the construction, the Company sets out guidelines to mitigate environmental impact, e.g. use of quality materials, energy saving light bulbs, canvas to cover construction site to prevent dust from dispersion, etc. In addition, the Company realizes the importance of increasing green space to the projects to create beauty and satisfaction to the customers, promote the importance of environment and to provide recreational area to the communities surrounding the shopping centers. For example, in 2009 Suzuki Avenue Ratchayothin Shopping Center was selected by the Building and Environment Technology Academic Committee to earn ASA Green Award from the Association of Siamese Architects under Royal Patronage.

### Fair Treatment to the Labor

The Company continually emphasizes on safety and welfare of its employees. It also supports the improvement of staff capability so that their knowledge, ability and skills match with the Company's operational methods, e.g. provision of Service Excellence training to the employees, enhancement of staff capability along the career path and staff ethics in order that the operation is appropriately and systematically conducted.

## Stakeholders

The Company takes into consideration the importance of stakeholders. Therefore, it sets out rules to identify those stakeholders, both internal and external, who have direct and indirect impact to the Company's business in each process, e.g. work of the Company's staff in every

department, construction process, purchasing and sale process or after-sale service process, etc.

As the Company's operation requires contact and connection with different types of stakeholders, it has set out guidelines and strategies to take care of the stakeholders in the following table:

Stakeholders	Guidelines and Strategies
Customers	Develop quality and diversified shopping centers to respond to the needs of customers
Employees	Improve knowledge, provide fair treatment under human rights principle and provide safety
Suppliers	Comply with clean trade competition framework
Business partners	Provide appropriate remuneration, improve capability and labor quality
Community	Conduct fair business and do not cause trouble to communities in the neighborhood
Shareholders	Conduct business with corporate governance, disclose transparent information
Co-investors	Provide fair treatment, assistance and advice
Creditors	Honestly comply with the terms and conditions of the agreement
Governmental entities	Fairly cooperate with the governmental entities
Media	Disclose information transparently, accurately and promptly
Competitors	Provide fair treatment to the competitors under clean trade competition framework

## Operation and Reporting

In preparing the report, the Company refers to patterns and methods of reporting of the Stock Exchange of Thailand. Currently, there are 10 principles and scopes of the report will cover only the operation of the Company, excluding subsidiaries and joint venture companies.

Guidelines in determining contents and substance of the report are gathered from main issues in the operation and

reviewed with various methods, e.g. opinion surveys of persons within the Company who have contacts with stakeholders outside the organization, opinion surveys of stakeholders within the Company, meetings to select main issues of the organization to ensure contents of the report are accurate and truly consistent with the stakeholders.

In prioritizing the importance of business operation, the Company puts first priority on the responsibility to



customers as they are directly and indirectly affected from the Company's operation. Second is the environmental management by taking into consideration the operation which will mitigate the environmental impact, increase green space, etc.

### **Business Operation which Directly Impacts Social Responsibility**

-None-

### **Activities for the Benefit of Society and Environment after Process**

Construct parking lots for motorcycle tax is in front of four shopping centers (Esplanade Ratchadapisek, Petchakasem Power Center, Marketplace Bangbon and The Avenue Pattaya shopping centers) to be in order and for the beauty of the area in front of the shopping centers as well as surrounding communities, and for the convenience of the customers obtaining services from the shopping centers.

### **Additional Code of Conducts regarding Anti-Corruption Protection**

The Company has formulated the Transparency and Anti-fraud Management Policy. Organization structure also formulated on the basis of the good corporate governance and conducted anti-corruption awareness.

# SIAM FUTURE DEVELOPMENT PUBLIC COMPANY LIMITED

## CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

31 DECEMBER 2014

## AUDITOR'S REPORT

To the Shareholders of Siam Future Development Public Company Limited

I have audited the accompanying consolidated and company financial statements of Siam Future Development Public Company Limited and its subsidiaries and of Siam Future Development Public Company Limited, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the related consolidated and company income statements, and the related consolidated and company statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other notes.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

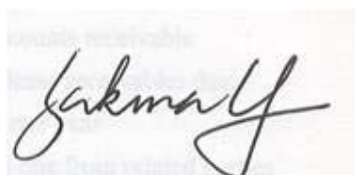
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the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

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

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

### *Opinion*

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position of Siam Future Development Public Company Limited and its subsidiaries and of Siam Future Development Public Company Limited as at 31 December 2014, and its consolidated and company results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



Sakuna Yamsakul

Certified Public Accountant (Thailand) No. 4906

PricewaterhouseCoopers ABAS Ltd.

Bangkok

12 February 2015

Siam Future Development Public Company Limited

Statements of Financial Position

As at 31 December 2014

(Baht)

	Notes	Consolidated		Company	
		2014	2013	2014	2013
Assets					
Current assets					
Cash and cash equivalents		27,584,147	23,366,503	5,422,142	5,940,507
Short-term investments	5	237,294,593	49,065,631	237,294,593	49,065,631
Trade and other receivables	6, 29, 33	126,343,329	124,577,445	74,624,829	59,249,209
Finance lease receivables due within one year	7	24,395,959	22,313,921	17,804,013	15,747,372
Amounts due from related parties	29	128,708,526	127,858,525	433,886,229	359,202,999
Short-term loans to related parties	29	25,000,000	25,000,000	248,645,592	352,895,592
Other current assets	8, 33	13,644,329	17,434,870	11,698,331	12,291,033
Total current assets		582,970,883	389,616,895	1,029,375,729	854,392,343
Non-current assets					
Restricted cash		590,931	580,021	-	-
Finance lease receivables	7	667,079,800	667,883,927	448,419,414	442,677,448
Investments in subsidiaries	9	-	-	257,925,000	257,925,000
Interest in joint venture	9	3,507,718,854	3,159,078,074	1,847,300,000	1,813,000,000
Prepaid rent, net		1,099,712	1,165,872	-	-
Investment property	10	7,518,365,407	7,610,586,287	3,882,493,859	4,036,127,918
Building and equipment, net	11	50,450,839	28,488,785	26,553,254	11,917,387
Intangible assets, net	12	20,177,565	22,371,344	15,740,065	17,933,844
Deposits for leasehold land		52,086,344	57,240,721	52,086,344	57,240,721
Other non-current assets		59,608,542	65,844,141	52,526,427	58,537,339
Total non-current assets		11,877,177,994	11,613,239,172	6,583,044,363	6,695,359,657
Total assets		12,460,148,877	12,002,856,067	7,612,420,092	7,549,752,000

The notes to the consolidated and company financial statements are an integral part of these financial statements.

## Statements of Financial Position

As at 31 December 2014

(Baht)

	Notes	Consolidated		Company	
		2014	2013	2014	2013
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from banks	13	498,816,867	200,000,000	498,816,867	200,000,000
Trade and other payables	14, 33	148,007,113	132,395,033	93,242,582	85,596,728
Amounts due to related parties	29	37,982,286	41,504,800	19,296,103	28,166,421
Short-term loan from a subsidiary	29	-	-	172,200,000	93,700,000
Current portion of unearned rental and service income	17, 29	52,692,029	52,101,473	28,049,360	30,916,266
Current portion of long-term borrowings	15	-	498,439,104	-	498,439,104
Finance lease liabilities on land leases current portion		48,176,533	88,180,081	47,279,693	80,100,267
Corporate income tax payable		9,941,249	13,146,056	-	-
Other current liabilities	16, 33	163,183,980	143,533,549	98,735,732	82,162,793
<b>Total current liabilities</b>		<b>958,800,057</b>	<b>1,169,300,096</b>	<b>957,620,337</b>	<b>1,099,081,579</b>
<b>Non-current liabilities</b>					
Unearned rental and service income	17, 29	430,773,397	469,447,469	63,329,508	83,050,793
Long-term borrowings	15	1,447,670,407	1,447,675,669	1,447,670,407	1,447,675,669
Deposits received from customers		472,423,376	444,388,689	273,933,362	246,975,719
Deferred tax liabilities	18	666,046,621	631,494,438	368,083,809	343,533,300
Finance lease liabilities on land leases		1,307,584,958	1,381,860,227	774,746,443	850,135,862
Provision for employee benefit	19	30,462,986	28,332,243	30,462,986	28,332,243
<b>Total non-current liabilities</b>		<b>4,354,961,745</b>	<b>4,403,198,735</b>	<b>2,958,226,515</b>	<b>2,999,703,586</b>
<b>Total liabilities</b>		<b>5,313,761,802</b>	<b>5,572,498,831</b>	<b>3,915,846,852</b>	<b>4,098,785,165</b>

The notes to the consolidated and company financial statements are an integral part of these financial statements.

## Statements of Financial Position

As at 31 December 2014

(Baht)

	Notes	Consolidated		Company	
		2014	2013	2014	2013
<b>Liabilities and equity</b>					
<b>Equity</b>					
Share capital					
Authorised share capital	20	1,480,522,641	1,316,105,475	1,480,522,641	1,316,105,475
Issued and paid-up share capital	20	1,480,515,030	1,316,020,126	1,480,515,030	1,316,020,126
Share premium	20	634,028,511	634,028,511	634,028,511	634,028,511
Retained earnings					
Appropriated - legal reserve	21	131,626,690	117,026,690	131,626,690	117,026,690
Unappropriated		4,483,285,422	3,977,868,228	1,450,915,050	1,383,891,508
Other components of equity		(512,041)	-	(512,041)	-
<b>Equity attributable to owners of the parent</b>		<b>6,728,943,612</b>	<b>6,044,943,555</b>	<b>3,696,573,240</b>	<b>3,450,966,835</b>
Non-controlling interests		417,443,463	385,413,681	-	-
<b>Total equity</b>		<b>7,146,387,075</b>	<b>6,430,357,236</b>	<b>3,696,573,240</b>	<b>3,450,966,835</b>
<b>Total liabilities and equity</b>		<b>12,460,148,877</b>	<b>12,002,856,067</b>	<b>7,612,420,092</b>	<b>7,549,752,000</b>

The notes to the consolidated and company financial statements are an integral part of these financial statements.

## Income Statements

For the year ended 31 December 2014

(Baht)

	Notes	Consolidated		Company	
		2014	2013	2014	2013
Revenues					
Rental and service income		1,318,935,428	1,299,272,211	771,226,583	760,008,349
Revenue from finance lease contracts		21,668,780	7,413,603	21,668,780	7,413,603
Finance and interest income		26,906,828	25,959,904	38,094,128	39,607,296
Dividend income	9	-	-	160,720,000	44,100,000
Other income		26,017,823	33,686,616	118,288,217	124,934,767
Share profit from joint venture	9	475,060,780	291,574,323	-	-
Total revenues		1,868,589,639	1,657,906,657	1,109,997,708	976,064,015
Expenses					
Cost of rental and service		550,280,761	562,335,570	320,910,571	330,787,676
Cost of finance lease contracts		13,190,000	4,542,683	13,190,000	4,542,683
Fair value adjustment on investment property, net	10	165,173,563	154,866,993	171,397,346	147,444,677
Selling expenses		30,713,507	29,536,378	26,270,637	25,738,825
Administrative expenses		174,157,890	156,562,213	151,427,192	129,738,793
Managements' remuneration		20,667,136	19,304,449	20,667,136	19,304,449
Total expenses		954,182,857	927,148,286	703,862,882	657,557,103
Profit before financial costs and tax		914,406,782	730,758,371	406,134,826	318,506,912
Finance costs	23	(94,846,588)	(103,156,107)	(98,029,499)	(102,131,780)
Profit before tax		819,560,194	627,602,264	308,105,327	216,375,132
Income tax expenses		(87,297,443)	(84,234,193)	(46,266,010)	(39,238,651)
Profit for the year	24	732,262,751	543,368,071	261,839,317	177,136,481
Profit attributable to:					
Owners of the parent		700,232,969	511,862,537	261,839,317	177,136,481
Non-controlling interests		32,029,782	31,505,534	-	-
		732,262,751	543,368,071	261,839,317	177,136,481
Earnings per share					
	25				
Basic earnings per share		0.47	0.35	0.18	0.12
Diluted earnings per share		0.47	0.35	0.18	0.12

The notes to the consolidated and company financial statements are an integral part of these financial statements.



## Statements of Comprehensive Income

For the year ended 31 December 2014

(Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Profit for the year	732,262,751	543,368,071	261,839,317	177,136,481
Other comprehensive income :				
Actuarial gains on defined employee benefit plans (Note 19)	2,560,203	-	2,560,203	-
Income tax relating to components of other comprehensive income for the year	(512,041)	-	(512,041)	-
Other comprehensive income for the year, net of tax	2,048,162	-	2,048,162	-
Total comprehensive income for the year	734,310,913	543,368,071	263,887,479	177,136,481
Total comprehensive income attributable to:				
Owners of the parent	702,281,131	511,862,537	263,887,479	177,136,481
Non-controlling interests	32,029,782	31,505,534	-	-
	734,310,913	543,368,071	263,887,479	177,136,481

The notes to the consolidated and company financial statements are an integral part of these financial statements.

**Siam Future Development Public Company Limited**
**Statements of Changes in Shareholders' Equity**

For the year ended 31 December 2014

(Baht)

	Notes	Consolidated						Total equity
		Attributable to owners of the parent				Other components of equity	Non-controlling interests	
		Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated retained earnings			
Opening balance 1 January 2014		1,316,020,126	634,028,511	117,026,690	3,977,868,228	-	385,413,681	6,430,357,236
Issuance of ordinary shares	20	164,494,904	-	-	-	-	-	164,494,904
Legal reserve appropriation	21	-	-	14,600,000	(14,600,000)	-	-	-
Dividends	26	-	-	-	(182,775,978)	-	-	(182,775,978)
Actuarial gains	19	-	-	-	2,560,203	-	-	2,560,203
Income tax relating to components of other comprehensive income for the year		-	-	-	-	(512,041)	-	(512,041)
Total comprehensive income for the year		-	-	-	700,232,969	-	32,029,782	732,262,751
<b>Closing balance 31 December 2014</b>		<b>1,480,515,030</b>	<b>634,028,511</b>	<b>131,626,690</b>	<b>4,483,285,422</b>	<b>(512,041)</b>	<b>417,443,463</b>	<b>7,146,387,075</b>
Opening balance 1 January 2013		1,169,862,645	634,028,511	104,926,690	3,640,505,280	-	353,908,147	5,903,231,273
Issuance of ordinary shares	20	146,157,481	-	-	-	-	-	146,157,481
Legal reserve appropriation	21	-	-	12,100,000	(12,100,000)	-	-	-
Dividends	26	-	-	-	(162,399,589)	-	-	(162,399,589)
Total comprehensive income for the year		-	-	-	511,862,537	-	31,505,534	543,368,071
<b>Closing balance 31 December 2013</b>		<b>1,316,020,126</b>	<b>634,028,511</b>	<b>117,026,690</b>	<b>3,977,868,228</b>	<b>-</b>	<b>385,413,681</b>	<b>6,430,357,236</b>

The notes to the consolidated and company financial statements are an integral part of these financial statements.

**Siam Future Development Public Company Limited**
**Statements of Changes in Shareholders' Equity (Cont'd)**

For the year ended 31 December 2014

(Baht)

		Company					
	Notes	Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated retained earnings	Other components of equity	Total equity
Opening balance 1 January 2014		1,316,020,126	634,028,511	117,026,690	1,383,891,508	-	3,450,966,835
Issuance of ordinary shares	20	164,494,904	-	-	-	-	164,494,904
Legal reserve appropriation	21	-	-	14,600,000	(14,600,000)	-	-
Dividends	26	-	-	-	(182,775,978)	-	(182,775,978)
Actuarial gains	19	-	-	-	2,560,203	-	2,560,203
Income tax relating to components of other comprehensive income for the year		-	-	-	-	(512,041)	(512,041)
Total comprehensive income for the year		-	-	-	261,839,317	-	261,839,317
<b>Closing balance 31 December 2014</b>		<b>1,480,515,030</b>	<b>634,028,511</b>	<b>131,626,690</b>	<b>1,450,915,050</b>	<b>(512,041)</b>	<b>3,696,573,240</b>
Opening balance 1 January 2013		1,169,862,645	634,028,511	104,926,690	1,381,254,616	-	3,290,072,462
Issuance of ordinary shares	20	146,157,481	-	-	-	-	146,157,481
Legal reserve appropriation	21	-	-	12,100,000	(12,100,000)	-	-
Dividends	26	-	-	-	(162,399,589)	-	(162,399,589)
Total comprehensive income for the year		-	-	-	177,136,481	-	177,136,481
<b>Closing balance 31 December 2013</b>		<b>1,316,020,126</b>	<b>634,028,511</b>	<b>117,026,690</b>	<b>1,383,891,508</b>	<b>-</b>	<b>3,450,966,835</b>

The notes to the consolidated and company financial statements are an integral part of these financial statements.

## Statements of Cash Flows

For the year ended 31 December 2014

(Baht)

	Notes	Consolidated		Company	
		2014	2013	2014	2013
<b>Cash flows from operating activities</b>					
Cash generated from operations	27	335,462,830	284,483,428	77,628,114	122,878,998
Interest paid		(99,019,193)	(103,465,406)	(99,537,556)	(101,495,032)
Income tax paid		(65,409,681)	(63,504,406)	(28,157,232)	(26,220,010)
Income tax received		5,316,429	36,294,159	1,509,877	-
Net cash generated from (used in) operating activities		176,350,385	153,807,775	(48,556,797)	(4,836,044)
<b>Cash flows from investing activities</b>					
Purchases of intangible assets	12	(1,026,656)	(817,792)	(1,026,656)	(817,792)
Purchases of building, equipment and investment property		(78,604,196)	(42,298,786)	(52,776,381)	(22,424,378)
Short-term loans made to subsidiary and related party	29	-	(25,000,000)	(1,300,000)	(150,450,000)
Loans repayments received from subsidiaries and related party	29	-	-	105,550,000	46,700,000
Cash paid for investment in joint venture	9	(34,300,000)	(343,000,000)	(34,300,000)	(343,000,000)
Dividend received	9	160,720,000	44,100,000	160,720,000	44,100,000
Interest received		542,318	1,376,850	12,135,676	23,192,602
Net cash generated from (used in) investing activities		47,331,466	(365,639,728)	189,002,639	(402,699,568)
<b>Cash flows from financing activities</b>					
Proceeds from loans from subsidiary	29	-	-	88,500,000	104,200,000
Proceeds from long-term borrowings	15	-	1,445,478,860	-	1,445,478,860
Proceeds from short-term loans from banks		498,816,867	109,144,765	498,816,867	109,144,765
Repayments of short-term loans from banks		(200,000,000)	-	(200,000,000)	-
Repayments of short-term loans from subsidiary and related party	29	-	-	(10,000,000)	(16,700,000)
Repayments of long-term borrowings	15	(500,000,000)	(1,363,750,000)	(500,000,000)	(1,222,500,000)
Dividends paid	26	(18,281,074)	(16,242,108)	(18,281,074)	(16,242,108)
Net cash (used in) generated from financing activities		(219,464,207)	174,631,517	(140,964,207)	403,381,517
<b>Net increase (decrease) in cash and cash equivalents</b>		4,217,644	(37,200,436)	(518,365)	(4,154,095)
Cash and cash equivalents, opening balance		23,366,503	60,566,939	5,940,507	10,094,602
<b>Cash and cash equivalents, closing balance</b>		27,584,147	23,366,503	5,422,142	5,940,507

The notes to the consolidated and company financial statements are an integral part of these financial statements.

## Statements of Cash Flows (Cont'd)

For the year ended 31 December 2014

(Baht)

Supplementary information for cash flows:

## Non-cash transactions

Significant non-cash transactions for the years ended 31 December 2014 and 2013 are as follows:

	Notes	Consolidated		Company	
		2014	2013	2014	2013
Accounts payable arisen as a result of purchases of building, equipment and investment property		48,384,453	31,407,025	23,531,950	14,124,000
Accounts payable arisen as a result of purchases of intangible assets		1,698,737	1,698,737	1,698,737	1,698,737
Investment property decreased due to recognition as cost of finance lease contracts	10	13,190,000	4,542,683	13,190,000	4,542,683
Investment property increased due to reversal of finance lease liabilities on land leases	10	48,110,390	-	48,110,390	-
Investment property increased due to reversal of finance lease contracts		815,384	-	-	-
Stock dividends	26	164,494,904	146,157,481	164,494,904	146,157,481

The notes to the consolidated and company financial statements are an integral part of these financial statements.

**Notes to the Consolidated and Company Financial Statements**

**For the year ended 31 December 2014**

**1 General information**

Siam Future Development Public Company Limited (“the Company”) is a public limited company, which is incorporated and domiciled in Thailand. The address of its registered office is as follows:

99 Ratchdapisek Road, Khwaeng Din Daeng, Khet Din Daeng, Bangkok 10400.

The Company is listed on the Stock Exchange of Thailand. For reporting purposes, the Company and its subsidiaries are referred to as “the Group”.

The principal business operating of the Group is the rental of building space and provision of utilities services in four categories as follow:

- (a) Short-term and long-term rental of building space, with rental terms of 1 - 3 years and 10 - 30 years, respectively.
- (b) Manage and provide services relating to common areas where by the term of service is in accordance with the term of rental.
- (c) Provision of utilities, which comprise electricity, water supplies and telephones.
- (d) Location procurement services.

These consolidated and company financial statements have been approved by the Board of Directors on 12 February 2015.

**2 Accounting policies**

The principal accounting policies adopted in the preparation of these consolidated and company financial statements are set out below:

**2.1 Basis of preparation**

The consolidated and company financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The consolidated and company financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

An English version of the consolidated and company financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

## 2.2 New financial reporting standards and revised financial reporting standards

### 1) Revised accounting standards which are effective on 1 January 2014 and are relevant to the Group:

TAS 1 (revised 2012)	Presentation of financial statements
TAS 7 (revised 2012)	Statement of cash flows
TAS 12 (revised 2012)	Income taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee benefits
TAS 28 (revised 2012)	Investments in associates
TAS 31 (revised 2012)	Interest in joint ventures
TAS 34 (revised 2012)	Interim financial reporting
TAS 36 (revised 2012)	Impairment of assets
TAS 38 (revised 2012)	Intangible assets
TFRS 8 (revised 2012)	Operating segments
TFRIC 1	Changes in existing decommissioning, restoration and similar liabilities
TFRIC 4	Determining whether an arrangement contains a lease
TFRIC 10	Interim financial reporting and impairment
TSIC 15	Operating leases - incentives
TSIC 27	Evaluating the substance of transactions in the legal form of a lease
TSIC 32	Intangible assets - Web site costs

TAS 1 (revised 2012) clarifies that conversion features that are at the holder's discretion do not impact the classification of the liability component of the convertible instrument. TAS 1 also explains that, for each component of equity, an entity may present the breakdown of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This standard has no impact to the Group.

TAS 7 (revised 2012) clarifies that only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities. This standard has no impact to the Group.

TAS 12 (revised 2012) amends an exception to the existing principle for the measurement of deferred tax assets or liabilities on investment property measured at fair value. TAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This amendment therefore adds the rebuttable presumption that the carrying amount of an investment property measured at fair value is entirely recovered through sale. As the result of the amendment, TSIC 21 - Income tax - recovery of revalued non-depreciable assets is incorporated in to TAS 12 (revised 2012). This standard has no impact to the Group.

TAS 17 (revised 2012) deletes the guidance for a lease of land with an indefinite useful life to be classified as an operating lease. The standard has been amended to clarify that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with TAS 17's general principles. This standard has no impact to the Group.

TAS 18 (revised 2012) removes the appendix to TAS 18. This standard has no impact to the Group.

TAS 19 (revised 2012) deletes the transition provisions of the current TAS 19. This standard has no impact to the Group.

TAS 28 (revised 2012) clarifies that when an entity moves from an equity accounting to cost accounting in the separate financial statements, the standard requires this to be adjusted retrospectively. An entity losses significant influence, the remaining interest of

investment should be valued at fair value. This matter should be adjusted prospectively effectively for the period begins on or after 1 Jan 2011. This standard has no impact to the Group.

TAS 31 (revised 2012) clarifies that when an entity moves from an equity accounting to cost accounting in the separate financial statements, the standard requires this to be adjusted retrospectively. An entity losses of joint control in its interest in joint control, the remaining interest of investment should be valued at fair value. This matter should be adjusted prospectively effectively for the period begins on or after 1 Jan 2011. This standard has no impact to the Group.

TAS 34 (revised 2012) emphasises the existing disclosure principles for significant event and transactions. Additional requirements cover disclosure of changes in fair value measurements (if significant), and the need to update relevant information from the most recent annual report. This standard has no impact to the Group.

TAS 36 (revised 2012) clarifies that goodwill being allocated to cash-generating units shall not be larger than an operating segment before aggregation as defined under TFRS 8 - Operating Segments. This standard has no impact to the Group.

TAS 38 (revised 2012) clarifies about intangible assets acquired in a business combination that is separable. Intangible assets should be recognised separately from goodwill. Complementary assets may only be recognised as a single asset if they have similar useful lives. This standard has no impact to the Group.

TFRS 8 (revised 2012) clarifies that an entity is required to disclose a measure of segment assets only if the measure is regularly reported to the chief operating decision-maker. This standard has no impact to the Group.

TFRIC 1 provides guidance on accounting for changes in the measurement of an existing decommissioning, restoration and similar liability that results from changes in estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate. This interpretation has no impact to the Group.

TFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. The management is currently assessing the impact of TRIC 4. This interpretation has no impact to the Group.

TFRIC 10 prohibits reversal of an impairment losses recognised in a previous interim period in respect of goodwill. This interpretation has no impact to the Group.

TSIC15 sets out the accounting for the recognition of incentive that a lessor provides to a lessee in an operating lease. This interpretation has no impact to the Group.

TSIC27 provides guidance on evaluating the substance of transactions in the legal form of a lease between the entity and the investor whether a series of transactions is linked and should be accounted for as one transaction and whether the arrangement meets the definition of a lease under TAS17 "Leases". This guidance explains examples that individually demonstrate that an arrangement may not, in substance, involve a lease under TAS 17. The accounting shall reflect the substance of the arrangement. This interpretation has no impact to the Group.

TSIC 32 provides guidance on the internal expenditure on the development and operation of the entity web site for internal or external access. The entity shall comply with the requirements described in TAS38 "Intangible Assets". This interpretation has no impact to the Group.

2) New financial reporting standards and revised accounting standards, revised financial reporting standards are effective on 1 January 2015. These standards are relevant to the Group and are not early adopted:

- a) Financial reporting standards, which have a significant revision and are relevant to the Group:



TAS 1 (revised 2014)	Presentation of financial statements
TAS 16 (revised 2014)	Property, plant and equipment
TAS 19 (revised 2014)	Employee benefits
TAS 27 (revised 2014)	Separate financial statements
TAS 28 (revised 2014)	Investments in associates and joint ventures
TAS 34 (revised 2014)	Interim financial reporting
TFRS 10	Consolidated financial statements
TFRS 11	Joint arrangements
TFRS 12	Disclosure of interest in other entities
TFRS 13	Fair value measurement

TAS 1 (revised 2014), the main change is that a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

TAS 16 (revised 2014) indicates that spare part, stand-by equipment and servicing equipment are recognised as PPE when they meet the definition of PPE. Otherwise, such items are classified as inventory. This standard has no impact to the Group.

TAS 19 (revised 2014), the key changes are (a) actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in 'other comprehensive income' (OCI). Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss; and (b) past-service costs will be recognised in the period of a plan amendment; unvested benefits will no longer be spread over a future-service period. This standard has no impact to the Group.

TAS 27 (revised 2014) provide the requirements relating to separate financial statements.

TAS 28 (revised 2014) provide the requirements for investment in associates and joint ventures accounted by equity method.

TAS 34 (revised 2014), the key change is the disclosure requirements for operating segment. An entity shall disclose information of a measure of total assets and liabilities for a particular reportable segment if such amounts are regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

TFRS 10 has a single definition of control and supersedes the principles of control and consolidation included within the original TAS 27, 'Consolidated and separate financial statements'. The standard sets out the requirements for when an entity should prepare consolidated financial statements, defines the principles of control, explains how to apply the principles of control and explains the accounting requirements for preparing consolidated financial statements. The key principle in the new standard is that control exists, and consolidation is required, only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. This standard has no impact to the Group.

TFRS 11 defined that a joint arrangement is a contractual arrangement where at least two parties agree to share control over the activities of the arrangement. Unanimous consent toward decisions about relevant activities between the parties sharing control is a requirement in order to meet the definition of joint control. Joint arrangements can be joint operations or joint ventures. The classification is principle based and depends on the parties' exposure in relation to the arrangement. When the parties' exposure to the arrangement only extends to the net assets of the arrangement, the arrangement is a joint venture. Joint operations have rights to assets and obligations for liabilities. Joint operations account for their rights to assets and obligations for liabilities. Joint ventures account for their interest by using the equity method of accounting. This standard has no impact to the Group.

TFRS 12 require entities to disclose information that helps readers of financial statements to evaluate the nature of risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This standard has no impact to the Group.

TFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRSs. This standard has no impact to the Group.

b) Financial reporting standards with minor changes and do not have impact to the Group are as follows:

TAS 7 (revised 2014)	Statement of cash flows
TAS 8 (revised 2014)	Accounting policies, changes in accounting estimates and errors
TAS 10 (revised 2014)	Events After the Reporting Period
TAS 12 (revised 2014)	Income taxes
TAS 17 (revised 2014)	Leases
TAS 18 (revised 2014)	Revenue
TAS 23 (revised 2014)	Borrowing costs
TAS 24 (revised 2014)	Related party disclosures
TAS 26 (revised 2014)	Accounting and reporting by retirement benefit plans
TAS 33 (revised 2014)	Earnings per share
TAS 36 (revised 2014)	Impairment of assets
TAS 37 (revised 2014)	Provisions, contingent liabilities and contingent assets
TAS 38 (revised 2014)	Intangible assets
TAS 40 (revised 2014)	Investment property

### 2.3 Group accounting - Investment in subsidiaries and interest in joint venture

#### a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment.

Intercompany transactions, balances and unrealised gains or loss on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of the Group's Principle Subsidiaries is set out in Note 9.

#### b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently

accounting for the retained interest as an joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

c) Joint venture

The Group's interests in jointly controlled entities are initially recorded at cost and accounted for by the equity method in the consolidated financial statements. The Group's share of its joint venture's post-acquisition profits or losses is recognised in the consolidated statement of income. The cumulative post-acquisition movements are adjusted against the carrying amount of the interest in joint venture. When the Group's share of losses in joint venture equals or exceeds its interest in joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

In the Company financial statements, the cost method is applied to account for interests in joint venture. Under the cost method, income from interests in joint venture will be recorded when dividends are declared.

A list of the Group's joint venture is set out in Note 9.

## 2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks.

## 2.5 Short-term investment

Short-term investment is investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price and short-term is defined as a year. The short-term investment is presented at a fair value in the statement of financial position. The fair value of unit trust is based on net assets value of the fund on the last business day of the year. The change of investment valuation are recognised a net gain or loss in the statement of income.

An impairment review is carried out by the Group when there is a factor indicating that such investment might be impaired. If the carrying amount of the investment is higher than its recoverable amount, impairment loss is charged to the statement of income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of income. When disposing of part of the Company's part is determined by the weighted average carrying amount of the total holding of the investment.

## 2.6 Trade accounts receivable

Trade accounts receivable are recognised initially at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the closing date. The amount of the allowance is the difference between the carrying amount and the amount expected to be collectible. Bad debts are recognised in the income statement within selling and administrative expenses.

## 2.7 Building and equipment

Building and equipment are initially recorded at cost and are subsequently stated at cost less accumulated depreciation as at the statement of financial position date. Depreciation is calculated on the straight-line basis to write off the cost of each asset, to its residual value over the estimated useful life, or, if it is shorter, the lease term to its residual value over the estimated useful life as follows:

Buildings and improvements	Land leased contracts being 15 - 30 years
Office equipment	5 years
Computer and equipment	3 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference will be recorded as impairment loss in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

## **2.8 Investment property**

Investment property comprises freehold properties that are held for rentals yields, or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group. Investment property also includes property that is being constructed or developed for future use as investment property. It is carried at fair value based on valuations by independent valuers which will be revalued every three years. However, managements will review the fair value to reflect market conditions at the end of the reporting period. Fair value is measured by discounted cash flow projections which reflects rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects any cash outflows that could be expected in respect of the property. The discount rate reflects current market assessments of the time value of money and risk adjusted. Any gain or loss arising from a change in fair value is recognised in the statements of income.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Properties interest on land held under operating leases is classified and accounted as investment property and is accounted for as if it was a finance lease under "Finance lease liabilities on land leases". Financial cost incurred from such recording is presented by net from gain or loss arising from a change in fair value.

Borrowing costs to finance the construction of properties are capitalised as part of cost of the asset during the period of time that is required to complete and prepare the property for its intended use. The borrowing costs include interest on short-term and long-term borrowings. Capitalisation of borrowing costs will be suspended during extended periods in which active development is interrupted.

## **2.9 Accounting for long-term leases**

### **Where a Group is the lessee**

Leases of property, plant or equipment which substantially transfer all the risks and rewards of ownership to the lessees are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period. The property or equipment acquired under finance leases is depreciated over the useful life of the asset. Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## **Where a Group is the lessor**

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with other similar, plant and equipment owned by the Group. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

## **2.10 Intangible assets**

### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is reported in the consolidated statement of financial position as an intangible asset.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

### **Computer software licenses**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives 10 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs are recognised as assets and are amortised using the straight line method over their useful lives 10 years.

## **2.11 Impairment of assets**

Building and equipment and other non-current assets which are non-financial assets, including goodwill and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Non-financial assets (excluding goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.12 Deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Group operates and generate taxable income. Management periodically evaluates positions taken in tax returns. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **2.13 Provisions**

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

#### **2.14 Employee benefits**

The Group operates a provident fund, being a defined contribution plan, the assets of which are held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by the relevant Group companies. Contributions made by the Group to the provident funds are charged to the statement of income in the year to which they relate.

The Group provides for post employment benefits to employees under the labour laws applicable in Thailand. The Group has recorded the liabilities in respect of employee benefits which are the present value of the defined benefit obligations calculated by an independent actuary in accordance with the actuarial technique. The present value of the defined benefit obligations are determined by discounting estimated future cash flows using yields on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality, length of service and other. The costs associated with providing these benefits are charged to the statements of income so as to spread the cost over the employment period during which the entitlement to benefits is earned.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised into equity in the statement of financial positions.

#### **2.15 Borrowings**

Borrowings are recognised initially at fair value of proceeds received. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds and the redemption value is recognised in the statements of income over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting date.

## **2.16 Revenue and expenses recognition**

Revenue from rentals and services are recognised over the period in accordance with the agreement and rental and services are rendered. Revenue from leases are recognised in accordance with the accounting policy per Note 2.9 - Leases.

Unearned rental and service income are recognised using the straight-line method over the period of lease.

Interest income is recognised on an accrual basis unless collectibles is in doubt.

Expenses are generally recognised on an accrual basis.

## **2.17 Financial instruments**

Significant financial assets carried on the statement of financial position include cash and cash equivalents, short-term investment, trade accounts receivable, finance lease receivable, amount due from related parties, loan to related parties. Significant financial liabilities carried on the statement of financial position include trade accounts payable, amount due to related parties and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group does not has policy to trade or speculate in any financial instruments.

The Group is party to derivative financial instruments, which are interest rate swap agreements. Such instruments are not recognised in the financial statements on inception.

Interest rate swap agreements protect the Group from movements in interest rates. Any differential to be paid or received on an interest rate swap agreement is recognised as a component of interest revenue or expense over the period of the agreement. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to profit or loss.

Disclosures about derivative financial instruments to which the Group is a party are provided in Note 9.

## **2.18 Dividends**

Dividends are recorded in the consolidated and company's financial statements in the period in which they are approved by shareholders.

## **2.19 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as chief executive officer that makes strategic decisions.

## **2.20 Foreign currency translation**

### **(a) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Thai Baht, which is the company's functional and the group's presentation currency.

### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### **3 Critical accounting estimates, assumptions and judgements and capital risk management**

#### **3.1 Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **a) Impairment of receivable and finance lease receivables**

The Group maintains an allowance for doubtful accounts to reflect impairment of trade receivables and finance lease receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by the Group's assessment of future cash flows, such assessment being based on consideration of historical collection experience, known and identified instances of default and consideration of market trends.

##### **b) Impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

##### **c) Building and equipment and intangible assets**

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

##### **d) Provision for employee benefits**

The present value of the provision for employee benefits depends on a number of assumptions. The assumptions used in determining the net cost for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of the provision for employee benefits.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value at estimated future cash outflows expected to be required to settle the employee benefits obligations. In determining



the appropriate discount rate, the Group considers the interest rate of government bond that have terms to maturity approximating the terms at the related employee benefits liability.

Other key assumptions for the provision for employee benefits are based in part on current market conditions. Additional information is disclosed in Note 19.

#### e) Investment property

The fair value of investment property is carried based on valuations by independent valuers. Fair value is measured by discounted cash flow projections which reflects rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects any cash outflows that could be expected in respect of the property. The discount rate reflects current market assessments of the time value of money and risk adjusted which are at the rates between 4.15% to 12% per annum.

### 3.2 Capital risk management

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

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

## 4 Cash and cash equivalents

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Cash	175	140	109	80
Deposits at call with banks	27,409	23,227	5,313	5,861
	<b>27,584</b>	<b>23,367</b>	<b>5,422</b>	<b>5,941</b>

The interest rates of deposits at call with banks are ranging from 0.4% to 0.5% per annum (2013: 0.5% to 0.63% per annum).

## 5 Short-term investments

(Thousand Baht)

	Consolidated and Company			
	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Short-term investments				
Trading securities	236,101	237,295	49,000	49,066

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Trade receivables	76,924	73,133	43,741	34,389
<u>Less</u> Allowance for doubtful accounts	-	-	-	-
Trade receivables, net	76,924	73,133	43,741	34,389
Prepayment	2,426	7,964	23	2,057
Advance payment	8,537	9,980	7,431	3,609
Property tax receivable	24,063	23,354	11,908	11,503
Other receivables	14,393	10,146	11,522	7,691
	126,343	124,577	74,625	59,249

Outstanding trade accounts receivable can be aged as follows:

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Current	68,624	64,250	39,074	31,263
Overdue 1 to 6 months	7,453	8,422	4,667	3,126
Overdue 7 to 12 months	74	461	-	-
Overdue over 12 months	773	-	-	-
	76,924	73,133	43,741	34,389
<u>Less</u> Allowance for doubtful accounts	-	-	-	-
	76,924	73,133	43,741	34,389

## 7 Finance lease receivables

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
The gross receivable in the lease contracts				
Due within 1 year	50,195	47,058	36,972	34,199
Due within 2 to 5 years	212,233	201,669	156,318	147,533
Due later than 5 years	744,071	779,802	481,878	501,671
	1,006,499	1,028,529	675,168	683,403
The present value of minimum lease payments receivable				
Due within 1 year	24,396	22,314	17,804	15,747
Due within 2 to 5 years	113,908	102,611	86,014	75,958
Due later than 5 years	553,172	565,273	362,405	366,719
	667,080	667,884	448,419	442,677
	691,476	690,198	466,223	458,424
Less Allowance for doubtful accounts	-	-	-	-
	691,476	690,198	466,223	458,424
The unearned finance income	315,023	338,331	208,945	224,979

The unearned finance income is calculated basing on the discount rate between 4.15% to 12% per annum.

The significant characteristic terms of the leasing arrangements are:

- the lease term covers the major part of the economic life of the asset although title to the asset is not transferred by the end of the lease term;
- the lease amount which the lessee agrees to pay to the lessor at the commencement of the lease will not be obliged by the lessor to refund; and
- In case of the lessee cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee.

## 8 Other current assets

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Withholding tax deducted at sources	12,785	15,837	11,698	12,291
Value-added tax	859	1,598	-	-
	13,644	17,435	11,698	12,291

## 9 Investment in subsidiaries and interest in joint venture

Movements in investments in subsidiaries and interest in joint venture are as follows:

(Thousand Baht)		
	Company	
	2014	2013
<b>Investment in subsidiaries</b>		
<b>For the years ended 31 December</b>		
Opening book value	257,925	257,925
Additional (Disposal)	-	-
<b>Closing book value</b>	<b>257,925</b>	<b>257,925</b>

(Thousand Baht)		
	Consolidated	Company
<b>Interest in joint venture</b>		
<b>For the year ended 31 December 2014</b>		
Opening book value	3,159,078	1,813,000
Acquisitions	34,300	34,300
Dividends received	(160,720)	-
Share profit from joint venture	475,061	-
<b>Closing book value</b>	<b>3,507,719</b>	<b>1,847,300</b>

At the Extra Ordinary Shareholder Meeting of a joint venture held on 17 March 2014, the shareholders approved the dividend payment at Baht 0.76 per share, totalling Baht 228 million. The dividend were paid to the Company and non-controlling interest on 25 March 2014. The Company recorded its portion of Baht 112 million in the income statement.

At the Extra Ordinary Shareholder Meeting of a joint venture held on 17 September 2014, the shareholders approved the dividend payment at Baht 0.33 per share, totalling Baht 100 million. The dividend were paid to the Company and non-controlling interest on 25 September 2014. The Company recorded its portion of Baht 49 million in the income statement.

The details of investments in subsidiaries and interest in joint venture as at 31 December are as follow:

	Nature of Relationship	% Ownership interest	
		2014	2013
Subsidiaries			
Petchkasem Power Center Company Limited	Shareholder	74	74
Ekkamai Lifestyle Center Company Limited	Shareholder	51	51
Siam Future Property Company Limited	Shareholder	100	100
Ratchayothin Avenue Company Limited	Shareholder	50	50
Ratchayothin Avenue Management Company Limited	Subsidiary of Ratchayothin Avenue Company Limited	50	50
Siam Future Management Company Limited	Shareholder	100	100
Joint venture			
SF Development Company Limited	Shareholder	49	49
North Bangkok Development Company Limited	Shareholder	49	49

All subsidiaries and joint venture are incorporated in Thailand and engage in the business of building rental and providing utilities services.

The following amounts represent the Group's share of the assets and liabilities and revenue and expenses of joint venture:

(Thousand Baht)

	As at 31 December	
	2014	2013
Cash and cash equivalents	256,769	347,514
Trade and other receivables	42,806	13,141
Other current assets	52,149	101,283
Prepaid rent	20	20
Investment property	7,108,291	6,285,085
Equipment, net	56,550	78,793
Other assets	18,956	19,601
<b>Total assets</b>	<b>7,535,541</b>	<b>6,845,437</b>
Trade and other payables	141,996	131,415
Other current liabilities	15,079	1,509
Finance lease liabilities on land leases	153,530	151,873
Long term loan from financial institution	2,714,600	2,859,150
Unearned rental	148,450	67,066
Deferred tax liabilities	378,589	308,680
Other liabilities	477,088	511,176
<b>Total liabilities</b>	<b>4,029,332</b>	<b>4,030,869</b>
<b>Net assets</b>	<b>3,506,209</b>	<b>2,814,568</b>

(Thousand Baht)

	For the year ended 31 December	
	2014	2013
Rental income	721,093	656,774
Gain on fair value adjustment on investment property, net	231,409	103,301
Interest income	6,078	8,188
Other income	252,266	226,376
Cost of rental and service	(293,487)	(300,726)
Selling and administrative expenses	(144,483)	(134,198)
Financial cost	(178,066)	(194,000)
<b>Profit before tax</b>	<b>594,810</b>	<b>365,715</b>
Income tax expenses	(119,749)	(74,141)
<b>Net profit</b>	<b>475,061</b>	<b>291,574</b>

A joint venture had entered into interest rate swap contracts to alter the interest rate of long-term loans from financial institutions in Baht currency from floating rate to fixed rate.

The remaining terms of the outstanding interest rate swap contracts at 31 December were:

	(Thousand Baht)	
	2014	2013
Less than 1 year	101,231	-
Later than 1 year and not later than 3 years	362,461	490,923
Over 3 years	5,082,580	5,345,381
	<b>5,546,272</b>	<b>5,836,304</b>

Interest rate swap contracts are due for exchange of the differences in interest amount every three months.

## 10 Investment property

	(Thousand Baht)			
	Consolidated		Company	
For the years ended 31 December	2014	2013	2014	2013
Investment property at 1 January	7,610,586	7,607,225	4,036,128	4,089,150
Additions of investment property during the year	63,768	65,491	40,846	32,596
Decrease in investment property during the year	(48,110)	-	(48,110)	-
Disposals investment property according to finance lease agreement	(13,190)	(4,543)	(13,190)	(4,543)
Loss from fair value adjustment	(94,689)	(57,587)	(133,180)	(81,075)
Investment property at 31 December	<b>7,518,365</b>	<b>7,610,586</b>	<b>3,882,494</b>	<b>4,036,128</b>

(Thousand Baht)

	Consolidated	Company
<b>Statement of comprehensive income for the year ended 31 December 2014</b>		
Loss from fair value adjustment	(94,689)	(133,180)
Finance cost from recording investment property	(70,485)	(38,217)
Fair value adjustment on investment property, net	(165,174)	(171,397)

(Thousand Baht)

	Consolidated	Company
<b>Statement of comprehensive income for the year ended 31 December 2013</b>		
Loss from fair value adjustment	(57,587)	(81,075)
Financial cost from recording investment property	(97,280)	(66,370)
Fair value adjustment on investment property, net	(154,867)	(147,445)

Rental income and expenditures presented in the income statement were arisen from investment property that generated rental income.

As at 31 December 2014, investment property with the net book value (before fair value adjustment) amounting to Baht 29 million (2013: Baht 515 million) was pledged as collateral for facility and borrowings as described in Note 13.

(Thousand Baht)

Consolidated				
	Building ng improvement	Motor vehicles, Office equipment and Computer	Construction in process and project under development	Total
<b>At 31 December 2013</b>				
Cost	11,852		18	127,839
<u>Less</u> Accumulated depreciation	(2,866)	(94,583)	-	(97,449)
Net book value	8,986	21,386	18	30,390
<b>For the year ended 31 December 2013</b>				
Opening net book value	8,986	21,386	18	30,390
Additions	-	6,114	401	6,515
Write-off	-	-	(18)	(18)
Depreciation charge	(484)	(7,914)	-	(8,398)
Closing net book value	8,502	19,586	401	28,489
<b>At 31 December 2013</b>				
Cost	11,852	122,083	401	134,336
<u>Less</u> Accumulated depreciation	(3,350)	(102,497)	-	(105,847)
Net book value	8,502	19,586	401	28,489
<b>For the year ended 31 December 2014</b>				
Opening net book value	8,502	19,586	401	28,489
Additions	-	32,379	250	32,629
Write-off	-	-	(220)	(220)
Depreciation charge	(481)	(9,966)	-	(10,447)
Closing net book value	8,021	41,999	431	50,451
<b>At 31 December 2014</b>				
Cost	11,852	154,462	431	166,745
<u>Less</u> Accumulated depreciation	(3,831)	(112,463)	-	(116,294)
Net book value	8,021	41,999	431	50,451



(Thousand Baht)

	Company		
	Motor vehicles, Office equipment and Computer	Construction in process and project under development	Total
At 31 December 2013			
Cost	84,105	18	84,123
<u>Less</u> Accumulated depreciation	(70,912)	-	(70,912)
Net book value	13,193	18	13,211
For the year ended 31 December 2013			
Opening net book value	13,193	18	13,211
Additions	3,552	401	3,953
Write-off	-	(18)	(18)
Depreciation charge	(5,229)	-	(5,229)
Closing net book value	11,516	401	11,917
At 31 December 2013			
Cost	87,657	401	88,058
<u>Less</u> Accumulated depreciation	(76,141)	-	(76,141)
Net book value	11,516	401	11,917
For the year ended 31 December 2014			
Opening net book value	11,516	401	11,917
Additions	21,088	250	21,338
Write-off	-	(220)	(220)
Depreciation charge	(6,482)	-	(6,482)
Closing net book value	26,122	431	26,553
At 31 December 2014			
Cost	108,745	431	109,176
<u>Less</u> Accumulated depreciation	(82,623)	-	(82,623)
Net book value	26,122	431	26,553

## 12 Intangible assets, net

(Thousand Baht)

	Goodwill	Consolidated Computer Software licenses	Total	Company Computer Software licenses
<b>At 1 January 2013</b>				
Cost	5,000	29,502	34,502	29,502
<u>Less</u> Accumulated amortisation	(563)	(10,811)	(11,374)	(10,811)
<b>Net book value</b>	<b>4,437</b>	<b>18,691</b>	<b>23,128</b>	<b>18,691</b>

<b>For the year ended 31 December 2013</b>				
Opening net book value	4,437	18,691	23,128	18,691
Additions	-	2,256	2,256	2,256
Amortisation charge	-	(3,013)	(3,013)	(3,013)
<b>Closing net book value</b>	<b>4,437</b>	<b>17,934</b>	<b>22,371</b>	<b>17,934</b>

<b>At 31 December 2013</b>				
Cost	5,000	31,758	36,758	31,758
<u>Less</u> Accumulated amortisation	(563)	(13,824)	(14,387)	(13,824)
<b>Net book value</b>	<b>4,437</b>	<b>17,934</b>	<b>22,371</b>	<b>17,934</b>

<b>For the year ended 31 December 2014</b>				
Opening net book value	4,437	17,934	22,371	17,934
Additions	-	1,027	1,027	1,027
Amortisation charge	-	(3,221)	(3,221)	(3,221)
<b>Closing net book value</b>	<b>4,437</b>	<b>15,740</b>	<b>20,177</b>	<b>15,740</b>

<b>At 31 December 2014</b>				
Cost	5,000	32,784	37,784	32,784
<u>Less</u> Accumulated amortisation	(563)	(17,044)	(17,607)	(17,044)
<b>Net book value</b>	<b>4,437</b>	<b>15,740</b>	<b>20,177</b>	<b>15,740</b>

## 13 Bank overdraft and short-term borrowings from financial institution

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Short-term borrowings from financial institution	498,817	200,000	498,817	200,000

As at 29 July 2014, the Company issued discounted bills of exchange totaling Baht 491 million which has face value totaling Baht 500 million. It bears interest at the rate of 3.55% per annum and will be matured in the first quarter of 2015. The Company has to maintain financial ratios and other criteria as stipulated in the offering documents.

As at 31 December 2013, the Company has short-term borrowing from a bank and pledge investment property from one property project as collateral. Borrowing bears interest at the rate 3.5% per annum.

14 Trade and other payables

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Trade payables	11,260	9,838	6,149	5,284
Accrued expenses	72,323	64,521	38,743	33,109
Retention payable	7,399	8,172	5,805	6,068
Accrued interest expense	10,812	14,984	10,812	14,984
Others	46,213	34,880	31,734	26,152
	148,007	132,395	93,243	85,597

15 Borrowings

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Current portion of long-term borrowings				
Debtentures	-	498,439	-	498,439
Long-term borrowings				
Debtentures	1,447,670	1,447,676	1,447,670	1,447,676
Total borrowings	1,447,670	1,946,115	1,447,670	1,946,115

The movements in the borrowings can be analysed as follows:

(Thousand Baht)

	Consolidated		Company	
For the years ended 31 December	2014	2013	2014	2013
Opening amount	1,946,115	1,862,604	1,946,115	1,721,354
Additions during the year	-	1,450,000	-	1,450,000
Debtenture issuance cost	-	(4,521)	-	(4,521)
Repayment of bank borrowings and debtenture	(500,000)	(1,363,750)	(500,000)	(1,222,500)
Amortisation of debtenture issuance cost (Note 23)	1,555	1,782	1,555	1,782
Closing amount	1,447,670	1,946,115	1,447,670	1,946,115

As at 22 February 2013, the Company issued debentures 750,000 units of Baht 1,000 per unit, unsubordinated and unsecured, totaling Baht 750 million. The debentures bear interest of 4.70% per annum and will be mature on 22 February 2016. The Company has to maintain financial ratios and other criteria as stipulated in the offering documents.

As at 19 July 2013, the Company issued debentures 700,000 units of Baht 1,000 per unit, unsubordinated and unsecured, totaling Baht 700 million. The debentures bear interest of 4.85% per annum and will be mature on 19 July 2017. The Company has to maintain financial ratios and other criteria as stipulated in the offering documents.

The exposure of the borrowings in relation to interest rate changes are as follows:

(Thousand Baht)

	Consolidated and Company	
	2014	2013
Total borrowings- fixed rates	1,447,670	1,946,115

	Consolidated and Company	
	2014	2013
Weighted average effective interest rates - All borrowings	4.77%	4.78%

The carrying amounts and fair values of long-term borrowings as at 31 December are as follows:

(Thousand Baht)

	Consolidated and Company			
	Carrying amount		Fair value	
	2014	2013	2014	2013
Total borrowings	1,447,670	1,946,115	1,390,836	1,825,582

The fair values of bank borrowings and debentures are based on discounted cash flows using a discount rate based upon the borrowing rate which the managements expect would be available to the Group at the financial position date.

Maturity of long-term borrowings:

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Within 1 year	-	498,439	-	498,439
Later than 1 year and not later than 2 years	749,130	-	749,130	-
Later than 2 years and not later than 5 years	698,540	1,447,676	698,540	1,447,676
	1,447,670	1,946,115	1,447,670	1,946,115

16 Other current liabilities

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Accrued property tax	157,639	139,441	94,042	78,539
Others	5,545	4,093	4,694	3,624
	163,184	143,534	98,736	82,163

17 Unearned rental and service income

Unearned rental and service income are due for recognition as follows:

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Within 1 year	52,692	52,101	28,049	30,916
Within 2 years and not later than 5 years	116,155	130,393	38,868	51,629
Later than 5 years	314,618	339,055	24,462	31,422
	430,773	469,448	63,330	83,051
	483,465	521,549	91,379	113,967

18 Deferred income taxes

The movements of the deferred income tax account are as follows:

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Opening balance of deferred tax liabilities	(631,494)	(609,419)	(343,533)	(327,988)
Charges to statement of comprehensive income	(512)	-	(512)	-
Charges to income statements (Note 24)	(34,041)	(22,075)	(24,039)	(15,545)
Closing balance of deferred tax liabilities	(666,047)	(631,494)	(368,084)	(343,533)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

(Thousand Baht)

Deferred tax assets	Consolidated			
	Deposit received from customers	Unearned service income	Other	Total
Opening balance 1 January 2013	14,275	18,191	5,059	37,525
Charges to income statement	(600)	2,096	3,102	4,598
Closing balance 31 December 2013	13,675	20,287	8,161	42,123
Opening balance 1 January 2014	13,675	20,287	8,161	42,123
Charges to statement of comprehensive income	-	-	(512)	(512)
Charges to income statement	1,705	2,232	(499)	3,438
Closing balance 31 December 2014	15,380	22,519	7,150	45,049

(Thousand Baht)

Deferred tax liabilities	Consolidated		
	Profit from finance lease contracts	Investment Property	Total
Opening balance 1 January 2013	244,755	402,189	646,944
Charges to income statement	(18,317)	44,990	26,673
Closing balance 31 December 2013	226,438	447,179	673,617
Opening balance 1 January 2014	226,438	447,179	673,617
Charges to income statement	(17,342)	54,821	37,479
Closing balance 31 December 2014	209,096	502,000	711,096

(Thousand Baht)

Deferred tax assets	Company			
	Deposit received from customers	Unearned service income	Other	Total
Opening balance 1 January 2013	5,521	3,906	5,059	14,486
Charges to income statement	(104)	31	1,700	1,627
Closing balance 31 December 2013	5,417	3,937	6,759	16,113
Opening balance 1 January 2014	5,417	3,937	6,759	16,113
Charges to statement of comprehensive income	-	-	(512)	(512)
Charges to income statement	790	147	905	1,842
Closing balance 31 December 2014	6,207	4,084	7,152	17,443

(Thousand Baht)

Deferred tax liabilities	Company		
	Profit from finance lease contracts	Investment Property	Total
Opening balance 1 January 2013	68,438	274,036	342,474
Charges to income statement	(3,976)	21,148	17,172
Closing balance 31 December 2013	64,462	295,184	359,646
Opening balance 1 January 2014	64,462	295,184	359,646
Charges to income statement	(1,653)	27,534	25,881
Closing balance 31 December 2014	62,809	322,718	385,527

Deferred income tax assets and liabilities are offset when the income taxes are related to the same fiscal authority being the Revenue Department. The following amounts, determining after appropriate offsetting, are shown in the consolidated and the Company statements of financial position as at 31 December:

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Deferred tax assets	45,049	42,123	17,443	16,113
Deferred tax liabilities	(711,096)	(673,617)	(385,527)	(359,646)
Total deferred tax liabilities	(666,047)	(631,494)	(368,084)	(343,533)

#### 19 Employee benefit obligations

Movements of the employee benefit obligations during the year are as follows:

(Thousand Baht)

	Consolidated and Company	
	2014	2013
Beginning balance	28,332	23,884
Current service cost	3,810	3,531
Interest cost	881	917
Actuarial gains	(2,560)	-
Closing balance	30,463	28,332

The amounts recognised in the income statements are as follows:

(Thousand Baht)

	Consolidated and Company	
	2014	2013
Current service cost	3,810	3,531
Interest cost	881	917
Total	4,691	4,448

The principal actuarial assumptions used are as follows:

	Consolidated and Company	
	2014	2013
Discount rates	3.42%	3.84%
Future salary increase rates	6%	6%
Retirement age	60 years old	60 years old
Pre-retirement mortality rate	100% of Thai Mortality Ordinary Table 2008	100% of Thai Mortality Ordinary Table 2008
Disability rate	5% of Thai Mortality Ordinary Table 2008	5% of Thai Mortality Ordinary Table 2008



(Thousand Baht)

	Ordinary Share capital	Share Premium	Total
<b>Issued and paid-up share capital</b>			
At 31 December 2012	1,169,863	634,029	1,803,892
Issue of shares	146,157	-	146,157
At 31 December 2013	1,316,020	634,029	1,950,049
Issue of shares	164,495	-	164,495
At 31 December 2014	1,480,515	634,029	2,114,544

As at 31 December 2014, total authorised number of the ordinary shares is 1,480,522,641 shares with a par value of Baht 1 per share (2013: 1,316,105,475 shares with a par value of Baht 1 per share). Total issued and paid-up share capital is 1,480,515,030 shares with the paid-up of Baht 1 per share (2013: 1,316,020,126 shares with a paid-up of Baht 1 per share).

## 21 Legal reserve

Under the Public Companies Act, the Company is required to set aside as a legal reserve at least 5 percent of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10 percent of the registered capital. The legal reserve is not distributable as dividend. The Company will set aside its net profit as a legal reserve when the Board of Directors passes a resolution to approve the reserve.

## 22 Expenses by nature

The following significant expenditures, classified by nature, have been charged in arriving at profit before financial costs and tax:

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Depreciation on building and equipment (Note 11)	10,447	8,398	6,482	5,229
Staff costs	121,261	99,634	121,261	99,634

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Interest expenses				
- Debentures	83,074	94,548	83,074	94,548
- Long-term borrowings bank	1,649	5,748	1,649	3,458
- Bank overdrafts	95	128	95	128
- Bill of exchange	7,408	-	7,408	-
- Debenture issuance cost (Note 15)	1,555	1,782	1,555	1,782
- Loan from related parties	-	-	3,183	1,266
- Others	1,066	950	1,065	950
<b>Total finance costs</b>	<b>94,847</b>	<b>103,156</b>	<b>98,029</b>	<b>102,132</b>

**24 Income tax**

Income taxes in the consolidated and company income statements can be analysed as follows:

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Current tax charge	53,256	62,159	22,227	23,694
Deferred tax:				
Origination and reversal of temporary differences	34,041	22,075	24,039	15,545
<b>Total deferred tax (Note 18)</b>	<b>34,041</b>	<b>22,705</b>	<b>24,039</b>	<b>15,545</b>
<b>Total income tax expenses</b>	<b>87,297</b>	<b>84,234</b>	<b>46,266</b>	<b>39,239</b>

The calculation of income tax in the consolidated and company income statements are as follows:

Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Profit before income tax	819,560	627,602	308,105	216,375
Tax calculated at a tax rate of 20% for the Company and 15% to 20% for subsidiaries	164,820	125,616	62,038	43,275
Tax effect of:				
Income not subject to tax	(95,012)	(58,315)	(32,144)	(8,820)
Expenses not deductible for tax purpose	6,657	16,933	5,540	4,784
Adjustment in respect of prior year	10,832	-	10,832	-
<b>Tax charge</b>	<b>87,297</b>	<b>84,234</b>	<b>46,266</b>	<b>39,239</b>

## 25 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of paid-up ordinary shares in issue during the year.

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

During 2014, the Company issued a stock dividend totalling 164,494,904 shares. The Company adjusted the number of ordinary shares outstanding before the event for the proportionate change in the number of ordinary shares outstanding as if the event had accrued at the beginning of the earliest period presented. The weighted average number of ordinary shares used in computing earnings per share for fiscal year 2013 has been changed as follows:

(Number of Share)				
	2013		2013	
	As restated	As previously reported	As previously reported	As previously reported
<b>Basic earnings per share</b>				
Weighted average number of ordinary shares	1,480,515,030	1,316,020,126		
<b>Diluted earnings per share</b>				
Weighted average number of ordinary shares	1,480,515,030	1,316,020,126		

	Consolidated		Company	
	2014	2013	2014	2013
Profit attributable to equity holders of the parent (Thousand Baht)	700,233	511,863	261,839	177,136
Weighted average number of paid-up ordinary shares in issue (Thousand Baht)	1,480,515	1,480,515	1,480,515	1,480,515
Basic earnings per share (Baht)	0.47	0.35	0.18	0.12

The group has no potential dilutive ordinary shares in issue for the years ended 2013 and 2014.

## 26 Dividends

At the Annual General Shareholders Meeting held on 25 March 2014, the shareholders approved a stock dividend to shareholders at the ratio of 8 existing shares to 1 new share and cash dividend payment amounting to Baht 0.01389 per share in respect of 2013 operating results totaling 164,494,904 shares and Baht 18.28 million, respectively. The dividends were paid to the shareholders on 21 April 2014.

At the Annual General Shareholders Meeting held on 27 March 2013, the shareholders approved a stock dividend to shareholders at the ratio of 8 existing shares to 1 new share and cash dividend payment amounting to Baht 0.01389 per share in respect of 2012 operating results totaling 146,157,481 shares and Baht 16.24 million, respectively. The dividends were paid to the shareholders on 23 April 2013.

## 27 Cash flows from operating activities

Reconciliation of profit before income tax to cash flows from operating activities:

(Baht)

	Notes	Consolidated		Company	
		2014	2013	2014	2013
Profit before income tax		819,560,194	627,602,264	308,105,327	216,375,132
Adjustments for:					
Depreciation and amortisation	11, 12	13,667,764	11,411,175	9,702,676	8,242,387
Amortisation of prepaid rent		66,161	66,161	-	-
Loss on write-off of project under Development	11	220,000	18,500	220,000	18,500
Interest income		(26,906,828)	(25,959,904)	(38,094,128)	(39,607,296)
Interest expense		94,846,588	103,156,107	98,029,499	102,131,780
Dividend income	9	-	-	(160,720,000)	(44,100,000)
Amortisation of debenture issuance costs	15	1,555,634	1,781,912	1,555,634	1,781,912
Realised unearned rental and service income		(46,417,255)	(47,187,452)	(24,963,543)	(27,496,622)
Investment property recognised					
as cost of finance lease	10	13,190,000	4,542,683	13,190,000	4,542,683
Provision for employee benefit	19	4,690,946	4,447,771	4,690,946	4,447,771
Fair value adjustment on investment property	10	165,173,563	154,866,993	171,397,346	147,444,676
Share profit from joint venture	9	(475,060,780)	(291,574,323)	-	-
Write-off of withholding tax		2,587,263	10,817,358	1,172,515	-
Changes in operating assets and liabilities:					
- short-term investment		(188,228,962)	(24,565,631)	(188,228,962)	(24,565,631)
- trade and other receivables		3,264,520	(3,610,875)	(4,150,473)	11,109,945
- finance lease receivable		23,485,305	43,239,025	10,774,698	31,615,157
- amounts due from related parties		(850,001)	(28,473,643)	(74,683,230)	(62,351,306)
- deposits for leasehold land		5,154,377	396,193	5,154,377	396,193
- other non-current assets		6,235,599	(681,529)	6,010,912	5,141,602
- trade and other payables		21,385,844	(25,079,296)	16,318,900	(28,393,100)
- amounts due to related parties		(1,871,651)	1,547,200	(8,870,318)	7,813,011
- unearned rental and service income		8,333,739	(576,990)	2,375,354	(550,062)
- deposit received from customers		28,034,688	(26,444,891)	26,957,643	(20,530,828)
- finance lease liabilities on land leases		(136,653,878)	(205,255,380)	(98,317,059)	(170,586,906)
<b>Cash flows from operations</b>		<b>335,462,830</b>	<b>284,483,428</b>	<b>77,628,114</b>	<b>122,878,998</b>

## 28 Financial risk management

The principal financial risks faced by the Group are interest rate risk and credit risk. The Group borrows at both fixed and floating rates of interest to finance its operations. Credit risk arises from the risk in the collectability of rental fees.

### a) Credit risks

The current policies established by the Group to manage credit risk are:

- To collect a guarantee equivalent to 6 months rental and service fee from customers.
- To terminate rental contracts for tenants whose rental and service fees are overdue.

The Group has no significant concentrations of credit risks due to the large number of customer from which the income is charged in cash. The Group has policies in place to ensure that rental and services are made to customers with appropriate credit history. Cash transactions are limited to high credit quality financial institutions.

### b) Liquidity risks

The liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Group's treasury policy aims at maintaining flexibility in funding by keeping committed credit lines available.

### c) Interest rate risk

The Group's income and operating cash flows are not substantially independent of changes in market interest rates. Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The borrowings and debentures interest rates of the Group are mainly fixed.

### d) Fair values

The carrying amounts of the following significant financial assets and financial liabilities approximate to their fair values: cash and cash equivalent, finance lease receivables, amounts due from related parties, loans to subsidiaries, bank overdrafts and short-term loans from financial institutions, trade accounts payable, other accounts payable since financial instruments are predominantly subject to market interest rate. Information on the fair values of borrowings are included in Note 15.

## 29 Related party transactions

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the

enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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

Siam Future Development Public Company Limited is an associate of Major Cineplex Group Public Company Limited which owns 23.74% of the Company's share (31 December 2013: 23.72%). Therefore, all subsidiaries and associates of Major Cineplex Group Public Company Limited are related parties.

The Group enters into transactions with related companies in the normal course of business. Significant transactions for the years ended 31 December 2014 and 2013 are summarised as follows:

a) Revenues and expense

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
<b>For the years ended 31 December</b>				
<b>Rental and service income</b>				
Group Major Cineplex Group Public Company Limited	73,527	63,500	27,714	27,974
Related parties	29,788	28,923	21,504	21,164
	103,315	92,423	49,218	49,138
<b>Management fee income</b>				
Subsidiaries	-	-	51,251	56,883
Joint ventures	8,658	7,537	8,658	7,537
	8,658	7,537	59,909	64,420
<b>Interest income</b>				
Subsidiaries	-	-	19,242	21,864
Major Cineplex Group Public Company Limited	775	478	-	-
	775	478	19,242	21,864

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
<b>Administrative expense</b>				
Major Cineplex Group Public Company Limited	10,213	9,201	9,889	8,931
<b>Interest expense</b>				
Subsidiaries	-	-	3,183	1,266

Rental and service incomes were carried out on commercial terms and conditions and at market prices which are subject to location, leases pace, leases terms, timing and type of lease. Management fee income and expense were charged at the rates specific on the agreements.

Interest income is charged at the rates between 3.10% to 7.00% per annum (2013: 3.10% to 7.00% per annum).

b) Trade accounts receivable

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Group Major Cineplex Group Public Company				
Limited	260	5,854	-	5
Subsidiaries	-	16	-	-
	260	5,870	-	5

c) Amounts due from related parties

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Major Cineplex Group Public Company Limited	2,253	1,478	-	-
Subsidiaries	-	-	307,430	232,822
Joint venture	126,456	126,381	126,456	126,381
	128,709	127,859	433,886	359,203

d) Short-term loans to related parties

Movement of short-term loans to subsidiaries during the years are as follows:



(Thousand Baht)

	Company	
	2014	2013
Beginning balance	352,895	249,145
Loans made during the year	1,300	150,450
Loans repayments during the year	(105,550)	(46,700)
<b>Ending balance</b>	<b>248,645</b>	<b>352,895</b>

As at 31 December 2014, short-term loans to subsidiaries represent loans repayable upon demand. The loans bear interest rates between 6.00% to 7.00% per annum (2013: 6.00% to 7.00% per annum).

Movement of short-term loan to a related company during the years are as follows:

(Thousand Baht)

	Consolidated	
	2014	2013
Beginning balance	25,000	-
Loan made during the year	-	25,000
<b>Ending balance</b>	<b>25,000</b>	<b>25,000</b>

Short-term loan to a related party represented loan to Major Cineplex Group Public Company Limited. The loan carried interest at the rate of 3.10% per annum.

**e) Amounts due to related parties**

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Major Cineplex Group Public Company Limited	37,982	40,005	14,287	14,131
Subsidiaries	-	-	5,009	12,535
Joint venture	-	1,500	-	1,500
	<b>37,982</b>	<b>41,505</b>	<b>19,296</b>	<b>28,166</b>

**f) Short-term loans from subsidiary**

(Thousand Baht)

	Company	
	2014	2013
Subsidiary	172,200	93,700

Movement of short-term loans from subsidiaries during the years are as follows:

(Thousand Baht)

	Company	
	2014	2013
Beginning balance	93,700	6,200
Loan received during the year	88,500	104,200
Loan repaid during the year	(10,000)	(16,700)
Ending balance	172,200	93,700

As at 31 December 2014, short-term loans from subsidiary represent unsecured loans, denominated in Thai Baht, and are repayable on demand. The loans bear interest at the rates between 2.21% to 3.10% per annum (2013: 2.44% to 3.10% per annum).

**g) Unearned rental and service income**

As at 31 December of 2014, the unearned rental and service income of a subsidiary includes unearned income received from Major Cineplex Group Public Company Limited amounting to Baht 100 million (2013: Baht 106 million).

**h) Directors and management remuneration**

Directors and management remuneration comprises of the total salaries and other benefits, including directors' fee paid to directors and management which included as an expense in the income statements as follows;

(Thousand Baht)

	Consolidated and Company	
	2014	2013
Short-term benefits	18,586	17,357
Post-employment benefits	2,081	1,947
Ending balance	20,667	19,304

## 30 Commitments and contingencies

### Bank guarantees

As at 31 December 2014, the Group has outstanding letters of guarantee amounting to Baht 52 million (2013: Baht 53 million) issued by the Group's bankers in respect of normal business operations.

### Rental commitment

Rental contracted for at the statement of financial position date but not recognised in the financial statements are as follows:

(Thousand Baht)

	Consolidated		Company	
	2014	2013	2014	2013
Less than 1 year	3,995	4,632	2,345	4,052
Over than 1 year but not later than 5 years	5,479	1,362	2,729	1,362
	9,474	5,994	5,074	5,414

## 31 Segment information

The Group operates in only one business segment which is the development of shopping centers and lease out space in the centers. Currently, the business is only operated in Thailand. The internal reporting provided to the chief operating decision-maker presented investment property by using cost method whereas financial statements presented at fair value.

(Thousand Baht)

	Consolidated		
	Internal reporting	Investment properties adjustment to be fair value	Financial Statement
<b>For the year ended 31 December 2014</b>			
Rental and service income			
Rental and service income	1,318,935		
Finance and interest income	21,669		
Revenue from finance lease contracts	26,907		
Other income	26,018		
Share profit from joint venture	191,375		
<b>Total revenues</b>	<b>1,584,904</b>	<b>283,686<sup>1</sup></b>	<b>1,868,590</b>
<b>Expenses</b>			
Cost of rental and service	936,309		
Cost of finance lease contracts	18,687		
Selling and administrative expenses	228,541		
<b>Total expenses</b>	<b>1,183,537</b>	<b>(229,354)<sup>2</sup></b>	<b>954,183</b>
<b>Profit before finance costs</b>	<b>401,367</b>	<b>537,040</b>	<b>914,407</b>
Finance costs	(94,847)	-	(94,847)
<b>Profit before income taxes</b>	<b>306,520</b>	<b>513,040</b>	<b>819,560</b>
Income taxes	(32,893)	(54,404) <sup>3</sup>	(87,297)
<b>Profit for the period</b>	<b>273,627</b>	<b>458,636</b>	<b>732,263</b>
<b>Profit attributable to</b>			
Owners of the parent	255,691	444,542	700,233
Non-controlling interests	17,936	14,094	32,030
	<b>273,627</b>	<b>458,636</b>	<b>732,263</b>
Fair value adjustment on investment property, net	458,636	(458,636)	-
<b>Profit for the year after fair value adjustment on investment property</b>	<b>732,263</b>	<b>-</b>	<b>732,263</b>
<b>As at 31 December 2014</b>			
Investment property	-	7,518,365	7,518,365
Building and equipment, net	3,497,486	(3,447,035)	50,451
<b>Total assets</b>	<b>8,635,019</b>	<b>3,825,130</b>	<b>12,460,149</b>
<b>Total liabilities</b>	<b>3,784,857</b>	<b>1,528,905</b>	<b>5,313,762</b>

	Consolidated		
	Internal reporting	Investment properties adjustment to be fair value	Financial Statement
<b>For the year ended 31 December 2013</b>			
<b>Revenues</b>			
Rental and service income	1,299,272		
Revenue from finance lease contracts	7,414		
Finance and interest income	25,960		
Other income	33,687		
Share profit from joint venture	117,588		
<b>Total revenues</b>	<b>1,483,921</b>	<b>173,986<sup>1</sup></b>	<b>1,657,907</b>
<b>Expenses</b>			
Cost of rental and service	939,588		
Cost of finance lease contracts	3,534		
Cost of finance lease contracts	208,980		
<b>Total expenses</b>	<b>1,152,102</b>	<b>(224,953)<sup>2</sup></b>	<b>927,149</b>
<b>Profit before finance costs</b>	<b>331,819</b>	<b>398,939</b>	<b>730,758</b>
Finance costs	(103,156)	-	(103,156)
<b>Profit before income taxes</b>	<b>228,663</b>	<b>398,939</b>	<b>627,602</b>
Income taxes	(39,244)	(44,990) <sup>3</sup>	(84,234)
<b>Profit for the period</b>	<b>189,419</b>	<b>353,949</b>	<b>543,368</b>
<b>Profit attributable to</b>			
Owners of the parent	172,960	338,903	511,863
Non-controlling interests	16,459	15,046	31,505
	<b>189,419</b>	<b>353,949</b>	<b>543,368</b>
Fair value adjustment on investment property, net	353,949	(353,949)	-
<b>Profit for the year after fair value adjustment on investment property</b>	<b>543,368</b>	<b>-</b>	<b>543,368</b>
<b>As at 31 December 2013</b>			
Investment property	-	7,610,586	7,610,586
Building and equipment, net	3,640,664	(3,612,175)	28,489
<b>Total assets</b>	<b>8,400,153</b>	<b>3,602,703</b>	<b>12,002,856</b>
<b>Total liabilities</b>	<b>3,981,788</b>	<b>1,590,711</b>	<b>5,572,499</b>

Additional explanation on adjustment

1. Adjustment relates to share of profit of joint venture due to the measurement of investment property from cost method to fair value method.
2. Adjustment relates to selling and administrative expenses which came from add back depreciation and adjustment of change in fair value of investment property.
3. Adjustment relates to income tax expense which came from deferred income tax expense of investment property at fair value.

## 32 Post statement of financial position event

In 2015, the Company plans to raise a new fund by issued new debentures to settle short-term loan from financial institution. The loan will be matured in the first quarter of 2015 amount of Baht 500 million; the Securities and Exchange Commission Thailand has granted approval for issuing new debenture amount of Baht 500 million.

## 33 Change in presentation

The Group made change in presentation of Trade and other receivables, Other current assets, Trade and other payables and Other current liabilities because the change in presentation from Department of Business Development. Comparative figures have been reclassified to conform to the current year presentation. The reclassification has an impact as follow:

(Baht)

	Consolidated			Company		
	Originally stated	Adjustments	Restated	Originally stated	Adjustments	Restated
<b>Statement of financial position</b>						
<b>As at 31 December 2013</b>						
<b>Assets</b>						
Trade and other receivables	73,132,542	51,444,903	124,577,445	34,389,052	24,860,157	59,249,209
Other current assets	68,879,773	(51,444,903)	17,434,870	37,151,190	(24,860,157)	12,291,033
<b>Liabilities</b>						
Trade and other payables	9,838,107	122,556,926	132,395,033	5,283,650	80,313,078	85,596,728
Other current liabilities	266,090,475	(122,556,926)	143,533,549	162,475,871	(80,313,078)	82,162,793

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