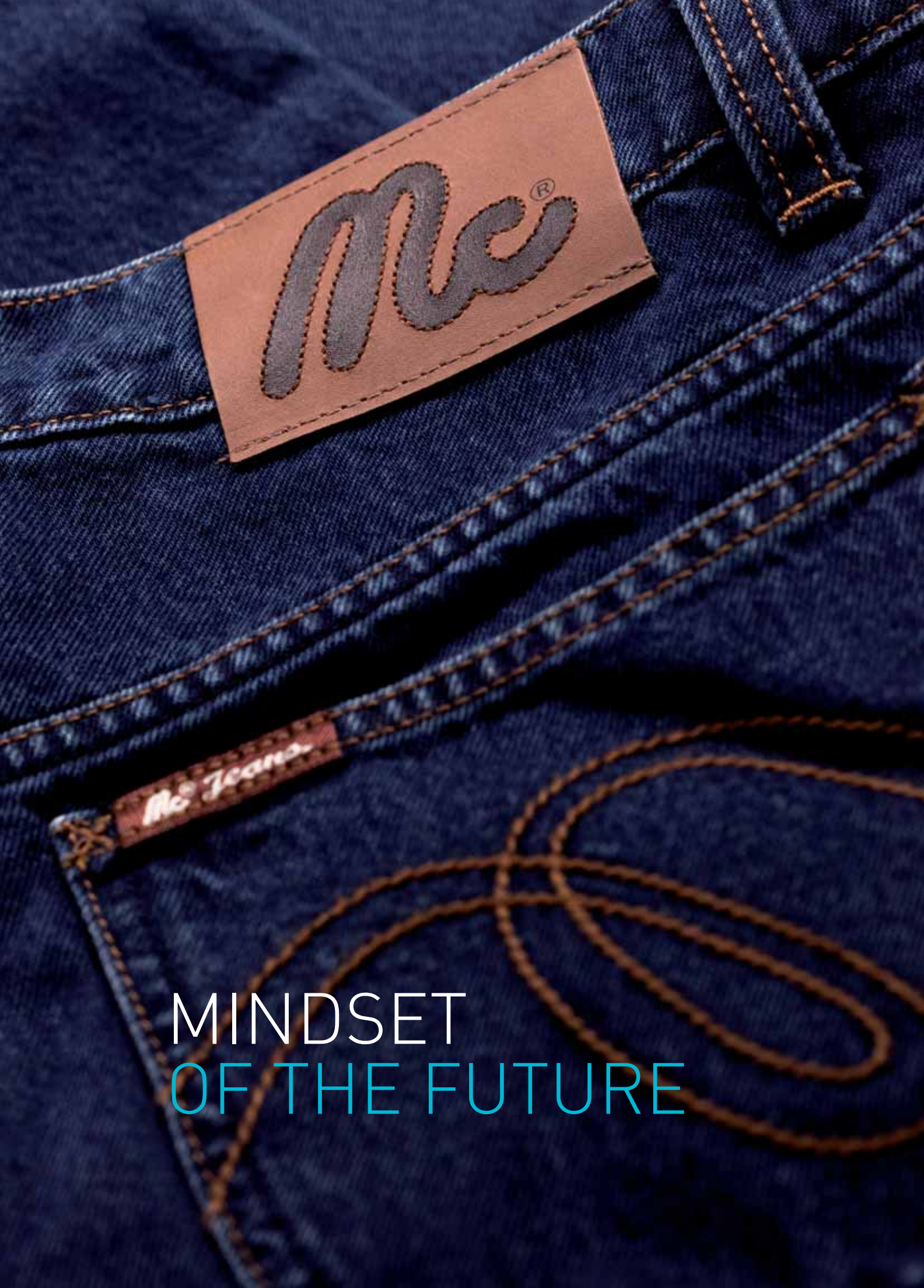


2013 Annual Report

**MC GROUP Public Company Limited**





MINDSET  
OF THE FUTURE

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# Financial Highlights

	Pro Forma Consolidated Financial Statements <sup>1/</sup>		Consolidated Financial Statements
	2011	2012	2013
Statements of Comprehensive Income (Baht million)			
Revenue from sale of goods	1,804	2,556	2,973
Total income	1,817	2,564	3,017
Earnings before interest net, taxes, depreciation and amortization	481	780	890
Net profit (loss)	299	599	733
Statements of Financial Position (Baht million)			
Total assets	1,451	2,013	4,652
Total liabilities	894	1,208	951
Total equity	557	806	3,614
Profitability (%)			
Gross profit margin	47.54	55.35	56.67
EBITDA margin	26.49	30.43	29.50
Net profit margin	16.45	23.37	24.31
Return on total assets	25.00	34.60	22.01
Return on total equity	65.37	87.99	33.19
Debt to Equity Ratios (Times)			
Interest-bearing debt to equity ratio	0.47	0.68	0.03
Total debt to equity ratio	1.61	1.50	0.26
Per Share Information <sup>2/</sup> (Baht)			
Book value per share	0.70	1.01	4.52
Earnings per share	0.37	0.75	0.92
Dividends per share	0.13	1.01	0.73

Remark:

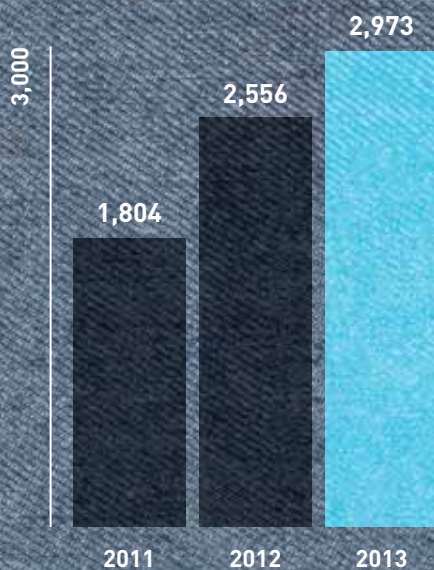
<sup>1/</sup> Assume that the Company restructuring since 1 January 2010.

<sup>2/</sup> Assume total shares outstanding of 800 million with per value of Baht 0.50 per share.



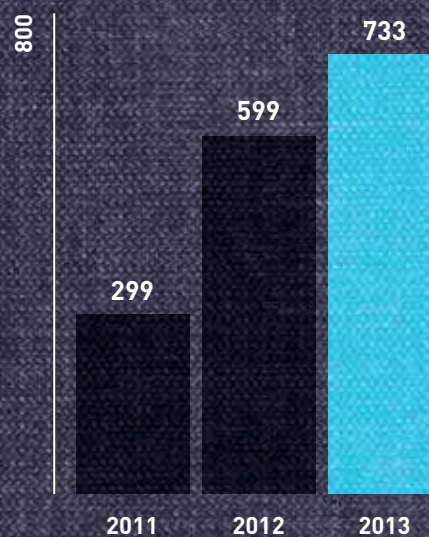
### Revenue from Sales of Goods

(in Baht million)



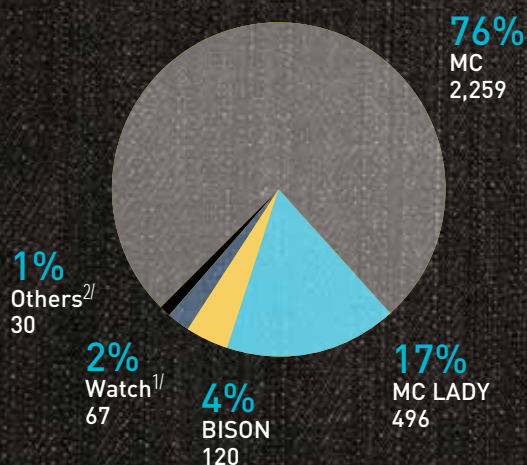
### Net Profit

(in Baht million)



### 2013 Revenue Structure - By Brands

(in Baht million)

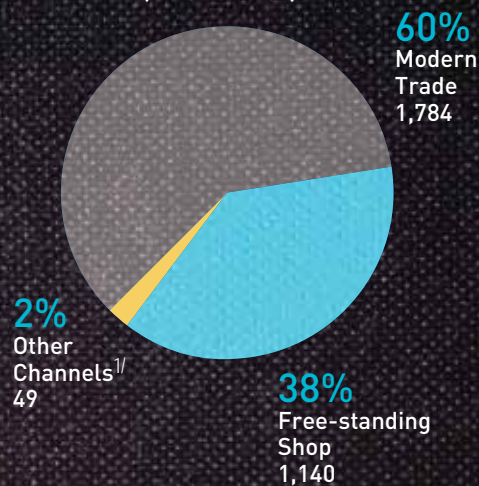


Remark: <sup>1/</sup> Revenue from watch sales from 1 November 2013 - 31 December 2013

<sup>2/</sup> Other revenues are Products Mc Pink, Mc mini, The Blue Brothers, mc mc, Sales of products and services through online/internet channel (from 1 June 2013 - 31 December 2013), and revenues from sales of accessories to outsource manufacturers.

### 2013 Revenue Structure - By Distribution Channels

(in Baht million)



Remark: <sup>1/</sup> Revenue from other channels are revenues generated from sales agents, exhibition booths and retail/wholesales stores and online channel.






# STREET OF STYLE

Fashioned for self-expression, MC GROUP responds to every consumer's needs with our stylish multi-brand apparels that offer a great variety & refined detail, made to fit with Asian figures.





# A QUALITY STORY

From design to stitching, MC GROUP pays attention to every detail of every Mc piece to offer the best quality products with passion for over 39 years and beyond.





# SPACE FOR SUCCESS

MC GROUP expands distribution networks nationwide and regionally to offer a multiplied accessibility to reach for our customers and important step in increasing the sales by Mobile Unit. The added online channel also serves our customers' needs and updates on style which enhances Mc's competitiveness and long-term success.





# RUNWAY TO THE FUTURE

Crafted with care, MC GROUP prepares our business for the future with extending business lines and expanding distribution channels to serve the growing purchasing power of consumers and strengthen our capacity for global competition.



## Our Brands

Care for every thread becomes the first standard to be the brands and different lifestyles business with product and service that satisfy all customers target needs.

*Me* *McLady* *McPink*

*Me*  
mini

**Bison**

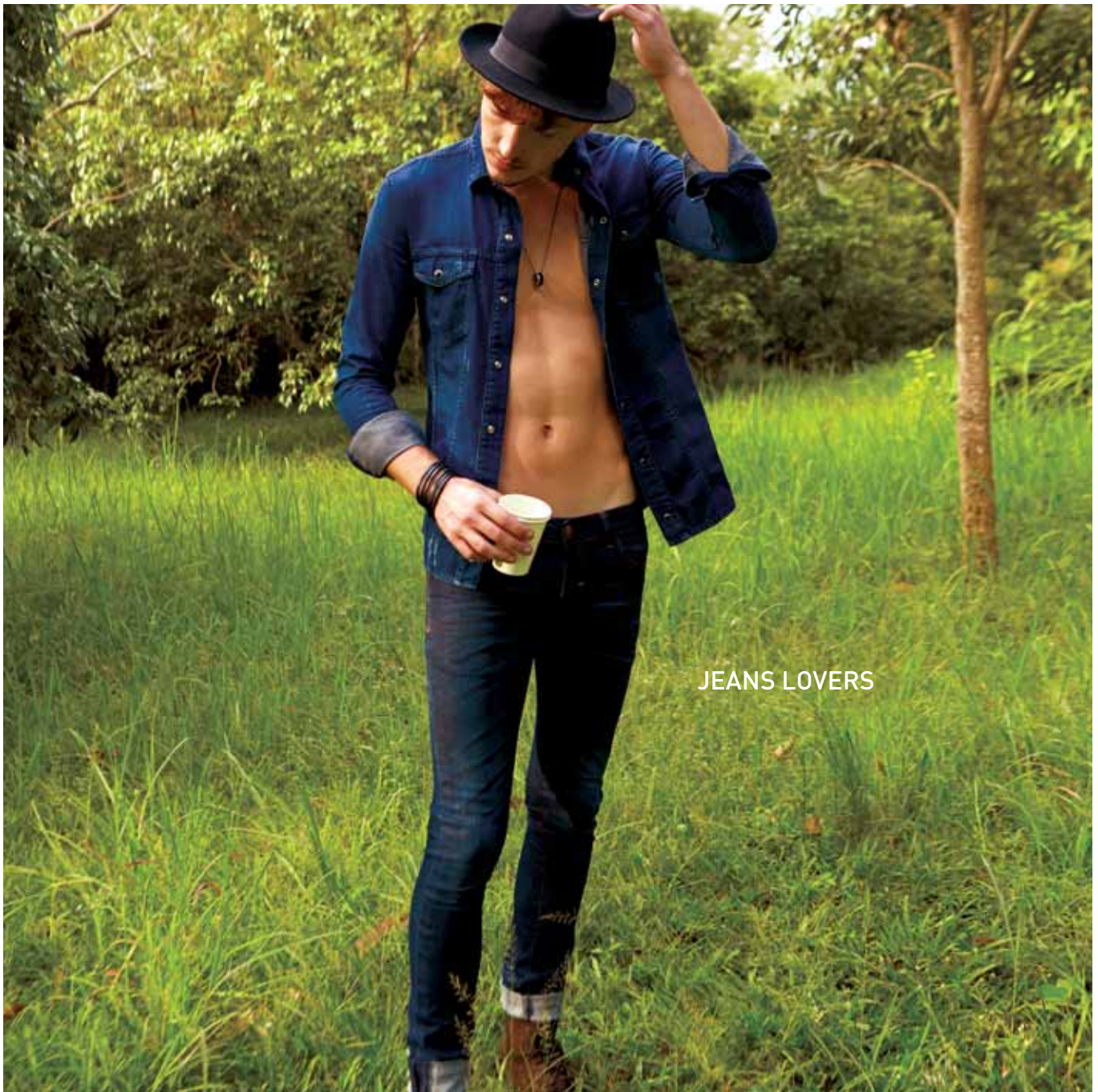
**Wow***me*

**mc**  
**mc**

*Blue*  
*Brothers*

**timedeco**





The logo for the brand "Mc", featuring the letters "Mc" in a stylized, cursive, orange-yellow font with a registered trademark symbol (®) to the upper right.

Mc Jeans focuses primarily on denim products with the "Simple Fashion Jeans" concept and a brand tag in every piece to indicate Mc's unique sense of craft and quality. Our 40-year of experience has been translated into a refined detail in every manufacturing step to ensure delivery of quality products at affordable prices for all.

In 2013, we clearly identified customer segmentation for each line to ensure that our products reach all customer segments, for example, Mc Me, Biker Jeans, Black to Campus and Mc Indigo. The lifestyle collections under "Mc" brand are the key source of incomes for the Company. Our distribution channels currently include 153 Free-standing Shops and 421 Modern Trade stores nationwide.





*McLady®*

"Lively, Easy Going and Comfortable", Mc Lady designs Denim Street Fashion that comfortably fit for active, modern and confident women. The line is available at 10 Mc Lady Shops, 131 Mc Jeans Shops and 99 Modern Trade stores nationwide.





McPink

Mc Pink is a lifestyle fashion for women with the "Stylish & Fashionable Everyday Wear" concept. We pay attention to every detail from pattern to design, in order to serve you best. Mc Pink is at 8 Free-standing Shops and 7 Modern Trade stores nationwide.





MY LITTLE WORLD

**Mc**<sup>®</sup>  
mini

The merger of denim style and liveliness of youth, Mc mini is designed with the concept "Childhood, Time with Happiness". Mc mini shares the same DNA of great quality, design and comfort with other Mc lines to pass on the Mc value to the next generation. The product offerings include both kid clothing and accessories. In 2013, Mc mini are available at 50 Mc Jeans Free-standing Shops and Modern Trade outlets nationwide.



**Bison**

Bison was established in 2005 as a lifestyle brand with the “Cool, Comfortable and Breaking Rules, Character” concept. The line offers more affordable prices than the original Mc Jeans, but maintains our high standard of quality and detail. Bison shares the same distribution outlets as Mc Jeans with 131 Free-standing Shops nationwide.





MC GROUP introduces mc mc for the value-for-money buyers with the concept “365 Days of Style, Everyday with mc mc” - the line that offers “Easy Quality Open Fun” products, recently opened in November 2013. mc mc is currently available at 2 Free-standing Shops in hypermarket malls.





*The*  
**Blue Brothers**  
DENIM STORE  
QUALITY INDIGO  
GOODS

The Blue Brothers Denim Store is a premium shop that houses a collection of jeans from The Blue Brothers, a new premium line of MC GROUP, as well as other leading international denim brands. The first Free-standing Shop was launched at K-Village in December 2013.





IDENTIFY YOUR TIME



**timedeco**

Time Deco imports and sells timepieces from fashion and luxury international brands, including Diesel, DKNY and Emporio Armani. The target group is customers, both men and women, over aged of 15 who look for stylish watch that fit with their personality and style. Time Deco is currently available at 13 Free-standing Shops and 57 Modern Trade stores nationwide.



## ONE CLICK FASHION

**WoW***me*

WoWme is a new creative sales channel with a myriad collection of leading Thai and international apparel brands, including non-MC GROUP products, for customers from all walks of life at the lifestyle online store [www.wowme.co.th](http://www.wowme.co.th).



# MINDSET OF THE FUTURE



## CORE VALUE

- DIVERSITY
- OUT OF BOX
- SYNERGY
- APPRECIATE OTHER
- PASSION





## Vision



To be a leading apparel & lifestyle business in Asia with various brands to serve different lifestyles. We are committed to maximizing stakeholders values and customer delights with our best fit quality products, affordable prices, accessible channels, and passionate services.

**MC GROUP**





## Message from the Chairman of the Board of Directors

### Dear all shareholders and stakeholders

On behalf of the Board of Directors, I am honored to convey this message regarding our business and business performance for the past year. Year 2013 was inevitably one of the years of change for our company. MC GROUP has become a public company and listed with the Stock Exchanges of Thailand under the high volatility in Thai stock market. This was considered another challenging experience in the Company's 39 years history in business.

By becoming a listed company, MC GROUP "MC" not only enhanced trust among all stakeholders from consumers, trading partners, business partners and our employees but also strengthened our corporate governance along the process. These are considered solid foundations for the Company in moving from denim business towards apparel and lifestyle retail business under the Company's business plan, vision and mission as well as our strong commitment to serve our society.

In 2013, domestic economy experienced a slowdown and recorded a disappointing GDP growth of only 3%. Despite the stagnant economy, MC GROUP still posted a strong business performance thanks to our practical business plan, commitment and strict financial responsibilities. Incessant developments by our experienced and dedicated management team and all employees resulted in a net profit of Baht 733 million or 22.9% growth compared to 2012. I am more than pleased that our management team and employees delivered impressive performance and financial results that enabled MC GROUP to grow and contribute back to our shareholders. For the first 3 quarters of 2013, MC GROUP already paid the interim dividend worth Baht 400 million to shareholders or equivalent to Baht 0.50 per share.

I would like to take this opportunity to show my appreciation to MC GROUP's management team for the remarkable performance and also to all our dedicated employees and other stakeholders who were the main catalyst for our past success and undeniably the bedrock for our sustainable growth in the years to come.

On behalf of the Board of Directors and management team of MC GROUP, I would like to thank you all the shareholders for consistently placing your trust and confidence in us.

A handwritten signature in black ink, reading 'Pichai Karnjanarporn'.

**Mr. Pichai Karnjanarporn**  
Chairman of the Board of Directors



DENIM NEVER DIE







## Message from the Chief Executive Officer

### Dear all shareholders and stakeholders

2013 turned out to be another successful year for MC GROUP as we managed to continuously create growth in terms of both revenue and profit. MC GROUP posted a revenue of Baht 3,017.1 million or equivalent to revenue growth of 17.7% while net profit jumped to Baht 733 million or up 22.9% compared to 2012. Consistent revenue growth was spurred by our strategic move to become the leader of apparel and lifestyle retail business by leveraging our strengths in sales channel network, varieties in product offerings through different brands and designs as well as supporting production capacity.

MC GROUP is anchored to formulate strategies that better serve the needs of our customers and enhance their satisfaction in our products and services. Among our key strategies are 1) Expansion of sales network: we were able to reach 624 points of sales in 2013, a big jump from 511 points of sales in 2012 and include a mobile unit to directly access customers. On the foreign front, we also expanded to 10 points of sales in neighboring countries 2) Extension of product offerings: MC GROUP succeeded in introducing new products with distinct designs and features including the launch of Mc Me targeting female customers over 40 years old who have desires to wear jeans, Mc Pink which offers fashion apparels to female target, Mc mini that was aimed to penetrate children segment and mc mc, an easy to wear concept that respond to needs of all types of customers. Furthermore, MC GROUP also premiered The Blue Brothers Denim Store that imports leading denim brands from foreign countries to further tap into premium denim market in Thailand.

In addition to the mentioned developments, MC GROUP also acquired a majority ownership in Time Deco Corporation Co., Ltd., a top importer and distributor of leading fashion watch brands from around the world who has more than 10 years success history in the market. This has been proved to be another commitment of MC GROUP to expand further into lifestyle business.

With regard to organizational development, the Company has committed its resources to promote solid and sustainable organizational advancement. MC GROUP stressed the importance of organization-wide quality management through its systematic knowledge management and effective management information system that can lead to creativity and innovations. Besides, the Company also reviewed its vision and mission to better engage customers through MC Academy (PC Academy) aiming to equip personal consultants with knowledge and skills necessary to improve customers' satisfaction. Concerning our social responsibility, we continuously conducted projects and initiatives that benefit communities and society as a whole. We are also obligated to develop human resource and prepare our employees for AEC through this MC Academy initiative. Additionally, we continued to support Mc Jeans Foundation for Thai Society's activities that promote the well-being of our society.



McLadys





Moving on forward in 2014, we planned to expand further our sales network through higher proportion of Free-standing Shops, more points of sales in upcountry to respond to urbanization in those areas as well as more mobile units to gain direct access to customers. We also aimed to extend our product offerings especially lifestyle products to our customers. In another front, we committed to improve our supply chain management to maintain our competitiveness and invest in management information system to support the sales network expansion. In addition, we also founded planning and development department to be directly responsible for all business preparations to make ourselves ready for opportunities present by the AEC in the future.

Our commitment to deliver results as well as collaborations from related parties led to the mentioned success for MC GROUP in 2013. The Company would like to extend our warmest appreciations to our customers, business partners, shareholders and all supporters who consistently contribute to our business' success including all our employees for their dedication that we highly value as a main driving force of our success.

With gratitude from our success, we would like to commit ourselves to good corporate governance under honest and transparent business conduct and put all stakeholders' interests at heart. We also promise to do our best to be a part that helps push forward Thai economy and society towards sustainable development and success.

**Ms. Sunee Seripanu**  
Chief Executive Officer





## Directors and Executives of MC GROUP



**Mr. Pichai Karnjanarporn**

- Chairman of the Board of Directors



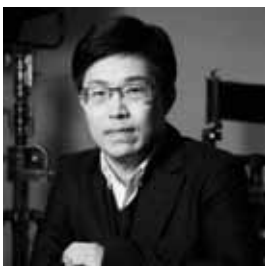
**Mrs. Pratana Mongkolkul**

- Director
- Chairperson of the Executive Committee



**Ms. Sunee Seripanu**

- Director
- Member of the Executive Committee
- Chief Executive Officer



**Mr. Virach Seripanu**

- Director
- Member of the Executive Committee
- Member of the Nomination and Remuneration Committee
- Chief Operating Officer



**Mr. Somchai Apiwattanaporn**

- Director
- Independent Director
- Chairman of the Audit Committee
- Chairman of the Risk Management Committee
- Chairman of the Nomination and Remuneration Committee



**Mrs. Jamnan Siritan**

- Director
- Independent Director
- Member of the Audit Committee
- Member of the Risk Management Committee



**Mr. Supasak Chirasavinuprapand**

- Director
- Independent Director
- Member of the Audit Committee
- Member of the Risk Management Committee
- Member of the Nomination and Remuneration Committee





### Mr. Pichai Karnjanarporn

- Chairman of the Board of Directors
- 60 years old
- Appointed 23 May 2012

#### Education/ Training

- Bachelor, Human Resource Management, Texas University, USA
- Director Accreditation Program (DAP), Class 98/2012, Thai Institute of Directors (IOD)

#### Current directorship in other companies

- Chairman of the Board of Directors, MC GROUP Plc.
- Director, P.K. Garment (Import-Export) Co., Ltd.
- Director, Mc Jeans Manufacturing Co., Ltd.
- Director, Winner Man Co., Ltd.
- Director, WoWme Limited
- Director, Na Yai Am Real Estate Co., Ltd.
- Director, Millennium (1975) Co., Ltd.

#### Experience

- Director, P.K. Asset Plus Co., Ltd.
- Director, P.K. Grand Co., Ltd.

#### Number of Companies with Current Directorship

- Listed companies: -None-
- Other companies: 6 companies

### Mrs. Pratana Mongkolkul

- Director
- Chairperson of the Executive Committee
- 49 years old
- Appointed 23 May 2012

#### Education/ Training

- Master of Business Administration, Thammasat University
- Bachelor of Arts in Accounting, Thammasat University
- Director Certification Program (DCP), Class 34/2003, Thai Institute of Directors (IOD)
- Director Diploma Examination, The Australian Institute of Directors Association
- Chief Financial Officer Certification Program, 1<sup>st</sup> Class, Institute of Certified Accountants and Auditors of Thailand (Currently Federation of Accounting Profession of Thailand)

- Top Management Program, Class 6/2008, Capital Market Academy
- Advanced Management Program 180, Harvard Business School
- Thai Intelligent Investors, Class 1/2012 Thai Investors Academy

#### Current directorship in other companies

- Director/ Chairperson of the Executive Committee, MC GROUP Plc.
- Director, P.K. Garment (Import-Export) Co., Ltd.
- Director, Mc Jeans Manufacturing Co., Ltd.
- Director, Winner Man Co., Ltd.
- Director, WoWme Limited
- Director, Look Balance Co., Ltd.
- Director, Time Deco Corporation Co., Ltd.
- Chairperson of the Board of Directors, Boutique Consulting Group Co., Ltd.
- Independent Director, T.K.S. Technology Plc.
- Graduate Member, Institute of Directors (IOD)

#### Experience

- Director, S&P Syndicate Plc.
- Chairperson of Audit Committee, Thoresen Thai Agencies Plc.
- Director, Minor International Plc.
- Director, Minor Corporation Plc.
- Director, The Minor Food Group Plc.
- Director, Rajadamri Hotel Plc.
- Director, Minor Hotel Group Co., Ltd.
- Director, MSpa International Limited
- Director, Minor Global Solutions Co., Ltd.
- Director, Thai Express Concepts Pte. Ltd.
- Director, The Coffee Club (Thailand) Ltd.
- Director, The Coffee Club Holding (Australia) Pty. Ltd.
- Director, Amore Pacific (Thailand) Co., Ltd.
- Director, Sizzler China Pte. Ltd.
- Director, Oaks Hotel and Resort Limited

#### Number of Companies with Current Directorship

- Listed companies: 1 company
- Other companies: 8 companies



## Ms. Sunee Seripanu

---

- Director
- Member of the Executive Committee
- Chief Executive Officer

49 years old

Appointed 23 May 2012

### Education/ Training

- Master of Business Administration, Assumption University
- Bachelor of Arts in Accounting, Chulalongkorn University
- Director Accreditation Program (DAP), Class 98/2012, Thai Institute of Directors (IOD)
- Top Management Program, Class 15/2012, Capital Market Academy
- Director Certification Program (DCP), Class 172/2013, Thai Institute of Directors (IOD)

### Current directorship in other companies

- Director/ Chief Executive Officer, MC GROUP Plc.
- Director, P.K. Garment (Import-Export) Co., Ltd.
- Director, Mc Jeans Manufacturing Co., Ltd.
- Director, Winner Man Co., Ltd.
- Director, WoWme Limited
- Director, Look Balance Co., Ltd.
- Director, Time Deco Corporation Co., Ltd.
- Director, Millennium (1975) Co., Ltd.

### Experience

- Director, SS Challenge Co., Ltd.
- Director, Na Yai Am Real Estate Co., Ltd.
- Director, Amata Apparel Co., Ltd.

### Number of Companies with Current Directorship

- Listed companies: -None-
- Other companies: 7 companies

## Mr. Virach Seripanu

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- Director
- Member of the Executive Committee
- Member of the Nomination and Remuneration Committee
- Chief Operating Officer

51 years old

Appointed 23 May 2012

### Education/ Training

- Master of Business Administration, Assumption University
- Bachelor of Science in Pharmaceutical Sciences, Chulalongkorn University
- Director Certification Program (DCP), Class 155/2012, Thai Institute of Directors (IOD)

### Current directorship in other companies

- Director/ Chief Operating Officer, MC GROUP Plc.
- Director, P.K. Garment (Import-Export) Co., Ltd.
- Director, Mc Jeans Manufacturing Co., Ltd.
- Director, Winner Man Co., Ltd.
- Director, WoWme Limited
- Director, Look Balance Co., Ltd.

### Experience

- Director, P.K. Asset Plus Co., Ltd.
- Director, Amata Apparel Co., Ltd.

### Number of Companies with Current Directorship

- Listed companies: -None-
- Other companies: 5 companies

## Mr. Somchai Apiwattanapron

---

- Director
- Independent Director
- Chairman of the Audit Committee
- Chairman of the Risk Management Committee
- Chairman of the Nomination and Remuneration Committee

63 years old

Appointed 23 May 2012



### Education/ Training

- Master of Political Sciences in Public Management, Ramkhamhaeng University
- Bachelor of Arts in Accounting, Ramkhamhaeng University
- National Defence Program, Joint Public-Private Sectors, Class 16/2003, the National Defence College
- Director Certification Program (DCP), Class 74/2006, Thai Institute of Directors (IOD)
- Director Accreditation Program (DAP), Class 14/2004, Thai Institute of Directors (IOD)
- Audit Committee Program (ACP), Class 21/2008, Thai Institute of Directors (IOD)
- Financial Statements for Directors (FSD), Class 17/2012, Thai Institute of Directors (IOD)
- Top Management Program, Class 5/2009, Capital Market Academy
- Top Executive Program in Commerce and Trade (TEPCoT), Commerce Academy

### Current directorship in other companies

- Director/ Independent Director/ Chairman of the Audit Committee/ Chairman of the Risk Management Committee/ Chairman of the Nomination and Remuneration Committee, MC GROUP Plc.
- Director, P.K. Garment (Import-Export) Co., Ltd.
- Director, Mc Jeans Manufacturing Co., Ltd.
- Director, Winner Man Co., Ltd.
- Director, WoWme Limited
- Chairman of the Audit Committee, Robinson Department Store Plc.
- Chairman of the Audit Committee, M Link Asia Corporation Plc.
- Chairman of the Audit Committee, Synnex (Thailand) Plc.

### Number of Companies with Current Directorship

- Listed companies: 3 companies
- Other companies: 4 companies

### Mrs. Jamnan Siritan

- Director
- Independent Director
- Member of the Audit Committee
- Member of the Risk Management Committee

63 years old

Appointed 23 May 2012

### Education/ Training

- Bachelor of Arts in Dramatic Arts, Chulalongkorn University
- Director Accreditation Program (DAP), Class SET/2012, Thai Institute of Directors (IOD)
- Director Certification Program (DCP), Class 180/2013, Thai Institute of Directors (IOD)
- Senior Management in Broadcasting and Television Business, 1<sup>st</sup> Class, Office of The National Broadcasting and Telecommunications Commission (NBTC)

### Current directorship in other companies

- Director/ Independent Director/ Member of the Audit Committee/ Member of the Risk Management Committee, MC GROUP Plc.
- Chairperson of the Executive Committee, JSL Global Media Co., Ltd.
- Director, Chuenmongkol Co., Ltd.
- Director, Laipruk Co., Ltd.
- Vice Chairperson, Animation International (Thailand) Co., Ltd.
- Director, ID One Television Co., Ltd.
- President, Radio and Television Broadcasting Professional Federation
- Director, House of Cartoon Co., Ltd.

### Number of Companies with Current Directorship

- Listed companies: -None-
- Other companies: 7 companies



### Mr. Supasak Chirasavinuprapand

- Director
- Independent Director
- Member of the Audit Committee
- Member of the Risk Management Committee
- Member of the Nomination and Remuneration Committee

49 years old

Appointed 23 May 2012

#### Education/ Training

- LLM, Arizona State University, Arizona, USA
- LLM, California Western School of Law, California, USA
- Master of Arts in Economics, Northeastern University, Massachusetts, USA
- Thai Barrister at Law
- Bachelor of Laws, Thammasat University
- Director Accreditation Program (DAP), Class 10/2004, Thai Institute of Directors (IOD)

#### Current directorship in other companies

- Director/ Independent Director/ Member of the Audit Committee/ Member of the Risk Management Committee/ Member of the Nomination and Remuneration Committee, MC GROUP Plc.
- Independent Director/ Member of the Audit Committee, Member of the Nomination and Remuneration Committee, AAPICO Hi-tech Plc.
- Director, Greenspot Co., Ltd.
- Director, Karat Faucet Co., Ltd.
- Director, Sagawa Express Thai Container Distribution Services Co., Ltd.
- Director, Sagawa Express (Thailand) Co., Ltd.
- Director, Sime Darby Power Co., Ltd.
- Director, Sime Darby Mazda (Thailand) Co., Ltd.
- Director, Sime Darby Vantage (Thailand) Co., Ltd.
- Director, Sime Darby Auto Services Co., Ltd.
- Director, Sime Darby LCP Power Co., Ltd.
- Director, Sime Darby O&M (Thailand) Co., Ltd.
- Director, Sime-Morakot Holdings Co., Ltd.

- Director, Tokio Marine South-East Servicing Co., Ltd.
- Director, Tokio Marine Insurance (Thailand) Plc.
- Director, Thaicom Network Co., Ltd.
- Director, Performance Motors (Thailand) Co., Ltd.
- Director, Morakot Industries Plc.
- Director, Ranhill Utilities Thai Co., Ltd.
- Director, Viking Motors Co., Ltd.
- Director, S.P.C. Precious Metal Co., Ltd.
- Director, Royal Advocates International Co., Ltd.
- Director, S.C. Law Office Co., Ltd.

#### Number of Companies with Current Directorship

- Listed companies: 3 companies
- Other companies: 19 companies

### Ms. Sangkae Hanvanich

- Deputy Chief Executive Officer
- Chief Supply Chain Officer (Acting)

49 years old

Appointed 17 February 2014

#### Education/ Training

- Bachelor of Arts in Accounting, Chulalongkorn University

#### Current position

- Deputy Chief Executive Officer/ Chief Supply Chain Officer (Acting), MC GROUP Plc.

#### Experience

- Executive Vice President, Sales, MC GROUP Plc.
- Senior Vice President, Sales, P.K. Garment (Import-Export) Co., Ltd.
- Assistant Chairman of the Board, Piyavate Hospital Plc.

### Ms. Kantima Lerlertyuttitham

- Deputy Chief Operating Officer

43 years old

Appointed 5 March 2013

#### Education/ Training

- Master of Arts, Psychology Counseling Rider University, New Jersey, USA



**Current Position**

- Deputy Chief Operating Officer, MC GROUP Plc.

**Experience**

- Chief Human Resources Officer, Prudential Life Assurance (Thailand) Plc.
- Human Resources Director, Central Watson (Thailand) Co., Ltd.

**Ms. Yupin Luisiri**

- Chief Information Technology Officer (CIO)

53 years old

Appointed 6 February 2013

**Education/ Training**

- Master of Arts, Dual Majors; Data Management and Business Management Webster University, Saint Louis, Missouri, USA
- Bachelor of Science System Data Processing, Washington University, Saint Louis, Missouri, USA
- Bachelor of Business Administration, Chulalongkorn University

**Current Position**

- Chief Information Technology Officer (CIO), MC GROUP Plc.

**Experience**

- First Sr. Vice President Information Technology (CIO), Ocean Life Co., Ltd.
- Managing Director, Dataflo Asia Co., Ltd.

**Ms. Peyanuch Prepraemvatana**

- Senior Vice President - Finance and Accounting

51 years old

Appointed 23 May 2012

**Education/ Training**

- Master of Business Administration (MBA), Thammasat University
- Master of Arts, Thammasat University
- Bachelor of Arts in Accounting, Assumption University

**Current Position**

- Senior Vice President - Finance and Accounting, MC GROUP Plc.
- Director, Time Deco Corporation Co., Ltd.

**Experience**

- Senior Vice President - Finance and Accounting, P.K. Garment (Import-Export) Co., Ltd.
- Vice President, Finance and Accounting, Minor Corporation Plc.
- Vice President, Finance, Ek-Chai Distribution Co., Ltd.

**Mrs. Songvilai Jiraphothong**

- Corporate Secretary

46 years old

Appointed 20 March 2013

**Education/ Training**

- Master of Arts in Accounting, Thammasat University
- Bachelor of Arts in Accounting, Thammasat University
- Company Secretary Program (CSP), Class 48/2012, Thai Institute of Directors (IOD)

**Current Position**

- Corporate Secretary/ Senior Vice President, Strategic Planning, MC GROUP Plc.

**Experience**

- Vice President Finance & Accounting, S&P Syndicate Plc.
- Senior Finance Director, Minor International Plc.





## Background and Key Developments

### Background



### 1975

- Inaugurated the brand "Mc" under the vision of Mr. Pichai Karnjanarporn.



### 1980

- Founded "P.K. Garment (Import-Export) Co., Ltd." to manufacture ready-to-wear jeans under the brand "Mc".



### 2000

- Launched the new brands "Mc Lady" and "Bison" to offer product varieties to better serve the needs of customers.

### 2008

- Conducted an active sales network expansion by opening its first Free-standing Shop at Tesco Lotus Salaya.



### 2012

- Reorganized business structure to support future expansion through establishing "MC GROUP Public Company Limited" with Baht 300 million registered capital to conduct apparel and lifestyle retail business.
- Incorporated "Winner Man Co., Ltd." to provide services and manage the salesperson.



- Incorporated "Mc Jeans Manufacturing Co., Ltd." to expand production base for its ready-to-wear apparel.
- Appointed the agents to distribute its products for neighboring markets in Myanmar and Laos.

## Key Changes and Developments in 2013

Year 2013 is a year of change for MC GROUP as major developments were required to support its vision and mission to become a leader in apparel and lifestyle business in Asia by launching the new products and expansion in sales network to respond to customers' needs in all segments.

### January

- Incorporated "MC INTER LIMITED", registered in Hong Kong Special Administrative Region of the People's Republic of China to support future business operation and investments in foreign countries.



### February

- Launched "Mc Pink" brand to reach young female target group with fashion apparels.
- Incorporated "WoWme Limited" to support the expansion to online business.

**WoWme**

### March

- Transformed into public company limited under "MC GROUP Plc." and increased its registered capital to Baht 400 million.



### April

- Premiered "Mc mini" brand to target children segment between 6 - 12 years old.

### June

- Launched [www.wowme.co.th](http://www.wowme.co.th) to expand into e-commerce and online shopping business.



### July

- Listed with the Stock Exchange of Thailand and commenced its trading in SET under the name "MC".

### October

- Founded "Look Balance Co., Ltd." to support its new business ventures in lifestyle products.

### November

- Expanded into lifestyle business (watches) by acquiring 51% shares in Time Deco Corporation Co., Ltd. through Look Balance Co., Ltd. Time Deco Corporation Co., Ltd. is one of the leading importer and distributor of fashion watch brands from around the world such as Diesel, DKNY, Emporio Armani.



- "MC" was included in MSCI Global Small Cap Indices.

### December

- Premiered "The Blue Brothers" brand that was aimed to expand into premium segment. The Blue Brothers Denim Store was officially opened and commenced on its distribution of The Blue Brothers denim brand and other leading brands from around the world.
- Launched "mc mc" brand to offer value-for-money products to all types of customers.





## Policy and Overview of Business



### Vision, Objectives, Targets and Strategies

MC GROUP Public Company Limited and its subsidiaries (MC GROUP) aimed to become a leader in apparel and lifestyle business in Asia under our strong commitments to offer and manage varieties of products to serve customers with different lifestyles and to ensure highest stakeholders' and customers' satisfaction through our best-fitted quality products with reasonable prices for all types of customers, convenient sales channels and our dedicated services.

MC GROUP intended to become a leader in apparel and lifestyle business in Asia through its vast selections of brands to answer to customers' different ways of living. MC GROUP's business plan outlined its financial targets in the future including average revenue growth of 20% per annum from 2013 - 2016 and enhance its capacity to maximize profitability. The following strategies will be implemented thoroughly to achieve the mentioned targets:

**Product strategy: Extend product offerings to promote varieties in apparel and lifestyle products as well as develop new brands to serve customers of all ages and types.**

In order to meet customers' different and changing needs, MC GROUP planned to enhance its design and new brand development capacity in both basic and fashion products. Product variety will be promoted to cover all customers segments; for example, seasonal fashion products that capture the latest trends in fashion. Besides, brand recognition and awareness development will also be the focus in our product strategy.

With regard to new brand development, we will incessantly create and introduce new brands to the market to respond to different target groups. In the past year, we succeeded in offering products that better targeted specific customers' segments. For instance, we launched a few new brands including Mc Me that targeted women over 40 years old who want to wear jeans again and Mc Pink that serves young urban women under "Stylish & Fashionable Everyday Wear" concept which was launched in April. In addition to women customers, we also tapped into other segments such as children, value-for-money and premium segments under Mc mini, mc mc and The Blue Brothers respectively throughout the year. Mc mini was introduced in April while mc mc was premiered in November under the concept "365 Days of Style with mc mc". At the end of the year, MC GROUP also opened its first "The Blue Brothers Denim Store" to offer premium denim products under The Blue Brothers and other leading foreign brands.



Apart from apparel products, MC GROUP also extended to lifestyle product line by introducing top foreign watch brands such as DKNY, Diesel, Emporio Armani in November 2013.

### Sales Channel Strategy

- Expand the sales channel nation-wide to reach all customers

MC GROUP set its sales footprint target to cover all parts of Thailand by increasing the number of Free-standing Shops and points of sales in Modern Trade venues. At the end of 2013, MC GROUP had in total 614 points of sales and planned to add 100 more points of sales per year focusing mainly on its Free-standing Shops. Better shop management and inventory management, convenience in logistics as well as higher profitability through effective cash cycle management for Free-standing Shops are key rationales behind this strategy.

In terms of location selection for new point of sales, MC GROUP will thoroughly conduct feasibility study considering all relevant factors including location, population, target customers and purchasing power. We believe that our new points of sales will gain access to untapped customers and make it more convenient for our existing customers in purchasing our products.

Moreover, we will extend our mobile unit to directly and flexibly serve our customers from currently 1 mobile unit at the end of 2013 to 6 mobile units in 2014.

- Further expand sales through online channel

WoWme Limited, a subsidiary of MC GROUP launched its online/internet channel [www.wowme.co.th](http://www.wowme.co.th) in June 2013 to expand to alternative sales channel to further reach customers. This online channel offers a wide range of products from clothing, apparel to accessories and other lifestyle products used in customers' everyday life. The offerings are not limited to MC GROUP-owned brands but also other leading domestic and international brands. MC GROUP is confident that this online channel strategy will improve access to customers as well as provide customers with convenience.



- **Expand sales channel into foreign markets to cover all countries under ASEAN Economic Community (AEC)**

Our current ASEAN presence includes appointed sales agents in Myanmar and Laos. We aimed to expand further to other markets under AEC including Indonesia, Malaysia, Vietnam and Cambodia. Bearing in mind the unique ways of doing business and associated risks in respective countries, MC GROUP will consider the best possible business models to expand into these countries, either in forms of direct operation, joint ventures with business partners or sales agent appointment.

**Seek M&A opportunities or joint ventures opportunities with business partners.**

MC GROUP is still active in searching for M&A and joint venture opportunities in related businesses with the focus on domestic or foreign business with clear synergies that support the Company's expansion to ASEAN countries under proper investment and return conditions.

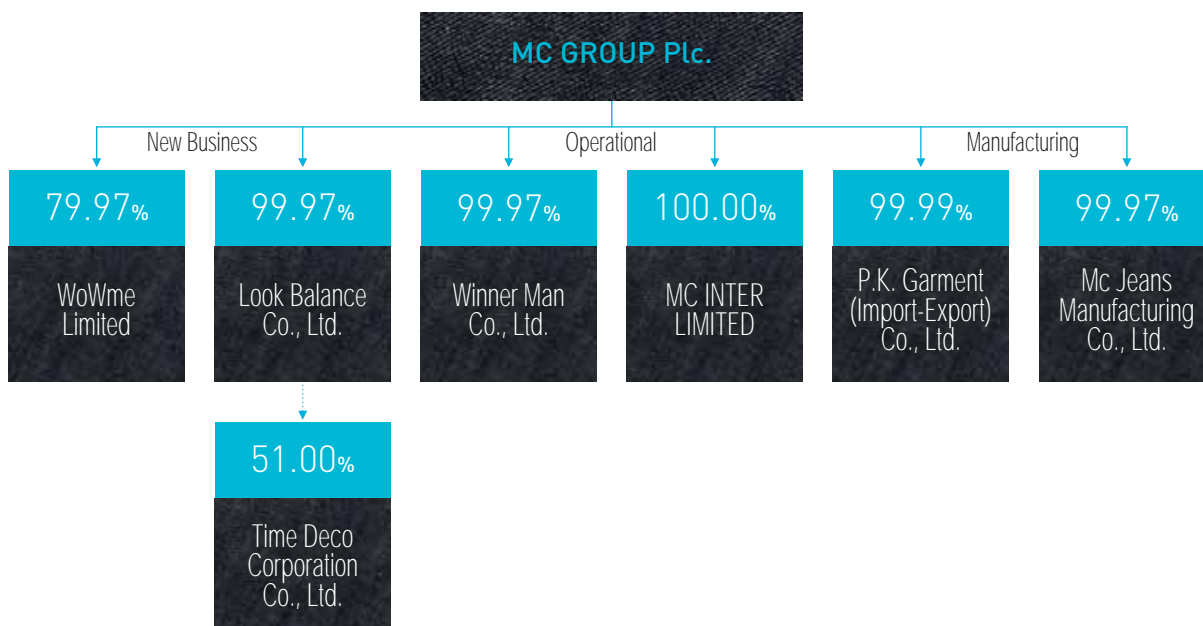
Under our policy to further extend to lifestyle products, we invested in Time Deco Corporation Co., Ltd., a leading importer and distributor of fashion watch brands. Time Deco planned to improve its sales network and open 10 additional points of sales each year from 70 points of sales at the end of 2013. In addition to sales network expansion, Time Deco will offer its watch collections through Mc Shop stores across the country.

**Implement effective supply chain management to enhance profitability**

MC GROUP will put importance on all steps in supply chain management from raw material sourcing, production line management, finished product management to product distribution. Suitable technology in supply chain management will be adopted to increase output, enhance production efficiency as well as reduce time-to-market of the products.

In addition to the stated strategies, MC GROUP also emphasized human resource development as a key catalyst in supporting business growth. Our human capital strategy covers talent acquisition in fashion and retail business-finding the right persons with domestic and international experience to competency development for existing employees. Additionally, fair compensation and benefits management and transparent performance management are also stressed to engage and incentivize all employees. Last but not least, MC GROUP planned to implement various internal process improvement initiatives that help reduce work redundancy and enhance efficiency in operations. This will result in cost reduction as well as better speed to respond to customers' needs.

## Shareholding Structure of the Group of Companies



### Company Profile: MC GROUP and Subsidiaries

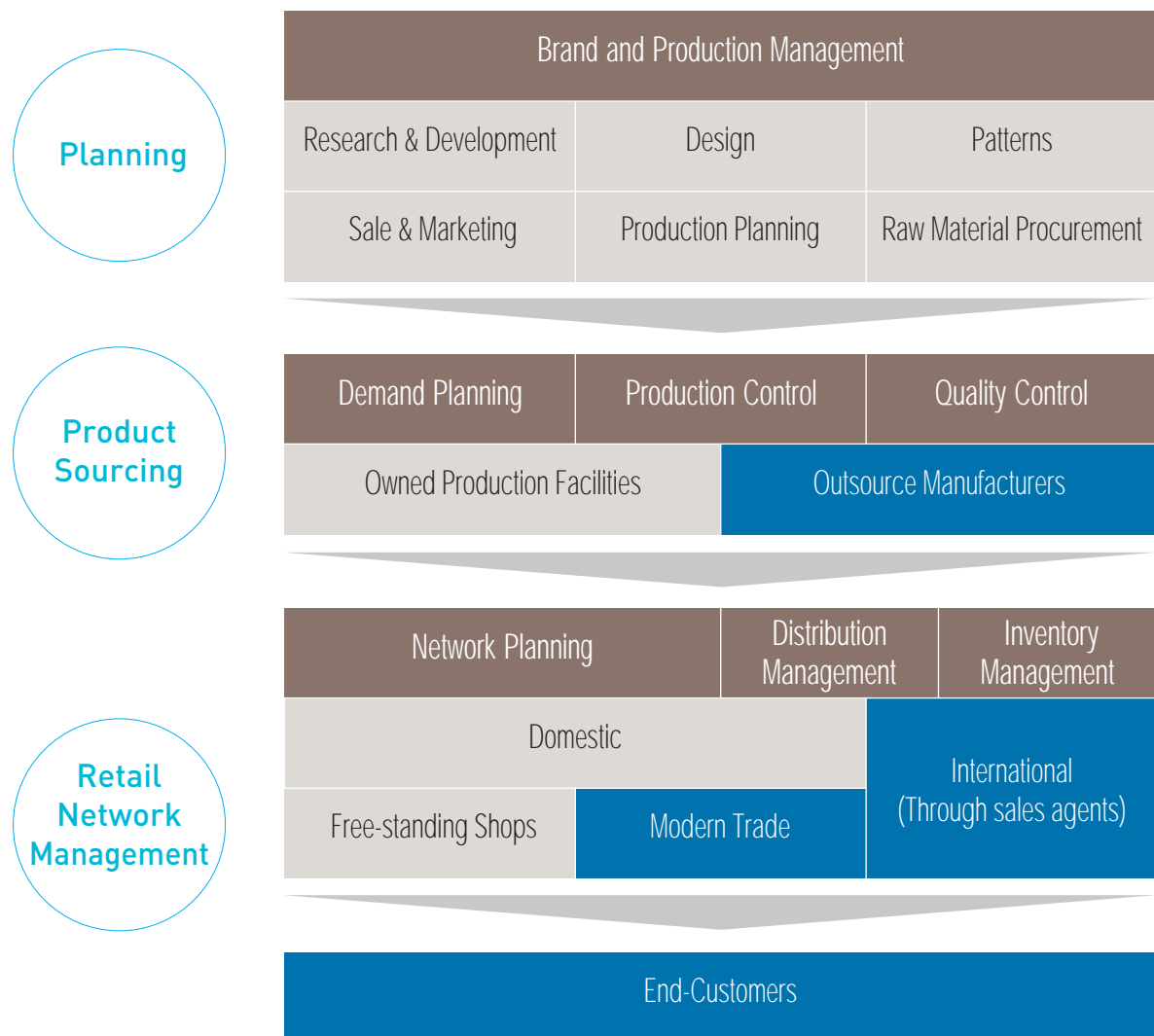
Company Name	Registered Capital (Baht million)	Business	% Shareholding
MC GROUP Plc.	400,000,000	Manages sales and distribution of apparel and lifestyle business.	-
P.K. Garment (Import-Export) Co., Ltd.	250,000,000	Manufactures ready-to-wear denim pants	99.99%
Winner Man Co., Ltd.	1,000,000	Provides services and manages PCs and warehouse employees	99.97%
Mc Jeans Manufacturing Co., Ltd.	1,000,000	Manufactures ready-to-wear apparel	99.97%
WoWme Limited	1,000,000	Distributes products and services through online/internet channel	79.97%
Look Balance Co., Ltd.	1,000,000	Invests in other businesses	99.97%
Time Deco Corporation Co., Ltd.	20,410,000	Imports and distributes leading fashion watch brands from all over the world	51.00%
MC INTER LIMITED	1 HK dollar	Not yet in operation. Established to business operations and investments in foreign countries.	100.00%





## Business Model

MC GROUP operates in apparel and lifestyle retail business under the group of companies' own brands and other brands focusing on brand management, sales and marketing management, design, product sourcing, warehouse management and product distribution for all products. Its business model can be summarized in the following diagram.



■ Non-MC GROUP

From our success story of growing business through nation-wide sales network, MC GROUP realized the importance of value creation from strong sales network of shops and other points of sales. Sales network is inevitably one of the most important foundations of our business that support business expansion including more product offerings. Our business model stressed the importance of following functions:

### **Planning for Brand and Product Management**

First and foremost, business planning regarding brand and product management is a key success factor in our business model. MC GROUP emphasized planning in all business processes starting from customers' demand analysis that lists factors that affect consumer behavior so MC GROUP can understand, develop and offer products or brands that fit the customers' needs. Apart from that, continuous research and development on products and brands including pattern development aimed to provide all types of customers with best-fitted patterns are also imperative. Additionally, sales and marketing planning as well as raw material sourcing are keys to quality control, cost management and thus our competitiveness. MC GROUP also collaborates closely with suppliers and manufacturers in order to ensure the quality of all the brands and products.

### **Product Sourcing**

For effective product sourcing i.e. finding the right products with right quality at competitive costs to distribute in full and on-time across the country, MC GROUP conducts demand planning that analyzes customers demand in terms of quantity, patterns, colors and sizes.

With regard to apparels, MC GROUP has 2 main production sources which are owned production facilities and outsource manufacturers. Our outsource manufacturers are trusted sources of products in terms of quality and on-time delivery derived from years that these manufacturers have been doing business with the Company. With 39 years of experience, MC GROUP has excelled in production control, quality control and product sourcing and never failed to find right products on-time to cater to forecast demand.

For watches, MC GROUP acts as an agent and directly makes orders from brand owners. Brand owners conducts pre-order product sample viewing twice a year. Therefore, MC GROUP is able to estimate monthly sales and make monthly orders that are in line with customers' demand.



## Retail Network Management

MC GROUP manages its retail network to reach all types of customers. The Company focuses on expanding its retail network especially its Free-standing Shops to less depend on Modern Trade and to directly serve the customers. Free-standing Shop also got its advantages that enable the Company to better manage its products and cash cycle and attain higher profitability. MC GROUP assigned a dedicated team who is directly responsible for network planning. Network planning team determines evaluation criteria as well as location analysis based on various data. The team then follows up with performance evaluation and analysis after the location is opened. Network planning covers not only domestic market but also foreign markets where the Company currently appointed experienced sales agents to be its representatives such as in Myanmar and Laos. In the near future, MC GROUP planned to expand further to Indonesia, Malaysia, Vietnam and Cambodia.

Besides its traditional sales network, the Company has expanded into channels that serve customers directly. Mobile unit and online channel [www.wowme.co.th](http://www.wowme.co.th) were launched last year to serve this purpose and become alternative channels for customers.

The Company also put efforts in its inventory management. Information technology was adopted to handle stock and warehouse management that led to higher efficiency in inventory management. This effort was a part of a plan to consolidate all warehouses in one distribution center which is due to be completed in the second quarter of 2014.

## Products and Services

### MC GROUP's Brands and Products

MC GROUP offers a number of brands that are unique in style and features to respond to different preferences of customers as follow.

#### 1. Apparels and related wears under "Mc" brand

Mc brand is the number one jeans brand in Thailand based on sales revenue (Source: Jeans Business in Thailand, Thai Business Management Association (TMA)) Products under Mc brands are designed under the concept "Simple Fashion Jeans" and are mostly denim products. With almost 40 years experience in jeans market especially in pattern making, "Mc Jeans" continues to make distinction in jeans market considering its quality and details in every production process. Moreover, pricing policies as well as new product developments also contribute to the successful reach to all types of customers. Recently, Mc Me was premiered under Mc Jeans brand to cater to women over 40 years old who are interested in wearing jeans again. Given the long history and wide customer base, Mc Jeans is by far the main revenue contributor of MC GROUP.

## 2. Apparels and related wears under “Mc Lady” brand

Mc Lady brand was created under the concept “Lively, Easy Going and Comfortable” to serve the needs of female youth especially with its best-fitted patterns and designs. Mc Lady offers denim street fashion for independent, trendy and fashionable young women aged between 18 - 25 years old. The target group covers teenagers, university students and first jobbers.

## 3. Apparels and related wears under “Bison” brand

Bison focuses its design as well as marketing under “Cool, Comfortable and Breaking Rules, Character” concept that customers can wear in all occasions as inspired by Mc brand. Unlike Mc brand, Bison offers better value for money products while the quality and details are not compromised.

## 4. Apparels and related wears under “Mc Pink” brand

Mc Pink is newly created women fashion product line under the concept “Stylish & Fashionable Everyday Wear”. The brand was launched in February 2013 and aimed to cater to young women target group especially university students, fresh graduates and first jobbers between 18 - 25 years of age. The target group is characterized as fashionable, trendy, independent, sociable and with more frequent turnover of their clothing.

## 5. Apparels and related wears under “Mc mini” brand

In order to fill the gap in children segment as part of the attempt to reach all types of customers, Mc mini was envisioned and finally launched in April 2013. Under the concept “Childhood, Time with Happiness”, Mc mini aimed to offer young boys between 6 - 12 years old adult-like quality products with more liveliness and colors. The product line is planned to extend to girls with the same age group within the end of 2014.

## 6. Apparels and related wears under “mc mc” brand

Based on “365 Days of Style with mc mc” idea, mc mc emphasizes its value-for-money principle to expand to customers of all types. The brand was premiered in November 2013 to target customers of all sexes and ages who like casual outfits with a little more style. Our “Easy Quality Open Fun” collection urges the customers to think of mc mc everyday and be able to buy the products at any time.

## 7. Apparels and related wears under other brands “The Blue Brothers”

Since June 2013, MC GROUP has commenced on distributing premium products under the brand “The Blue Brothers”. Later in December 2013, the first “The Blue Brothers Denim Store” was opened to be the outlet for products under “The Blue Brothers” brand and other famous premium denim brands from abroad that are unique in design and wearing.

## 8. Watch brands from around the world

MC GROUP extended its product offering to imported fashion watch brands such as Diesel, DKNY, Emporio Armani through its acquisition of 51% ownership in Time Deco Corporation Co., Ltd. since November 2013. Time Deco Corporation Co., Ltd. is a sole distributor of popular fashion brands catering to trendy men and women customers over 15 years old.



## Revenue Structure

Revenue structures of MC GROUP and its subsidiaries according to consolidated financial statements for 2013 and consolidated pro forma financial statements for 2011 - 2012 are as follow:

### Revenue Structure by Product

Consolidated Financial Statements (* pro forma )	2011*		2012*		2013	
	Baht million	%	Baht million	%	Baht million	%
Revenue from ready-to-wear clothing and related apparels						
1. Mc	1,432.0	79.4	1,998.6	78.2	2,259.4	76.1
2. Mc Lady	323.7	17.9	467.6	18.3	495.7	16.7
3. Bison	39.8	2.2	86.1	3.4	120.2	4.0
4. Mc Pink	-	-	-	-	12.5	0.4
5. Mc mini	-	-	-	-	8.5	0.3
6. Other Brands	-	-	-	-	3.0	0.1
7. Revenue from sales of raw materials <sup>1/</sup>	9.0	0.5	3.3	0.1	4.0	0.1
Subtotal	1,804.5	100.0	2,555.6	100.0	2,903.3	97.7
Revenue from lifestyle products						
1. Revenue from online channel <sup>2/</sup>	-	-	-	-	2.1	0.1
2. Revenue from watch sales <sup>3/</sup>	-	-	-	-	67.4	2.2
Total Sales Revenue	1,804.5	100.0	2,555.6	100.0	2,972.8	100.0

Remark: <sup>1/</sup> Other revenues are mainly from sales of accessories to outsource manufacturers.

<sup>2/</sup> Revenue from sales of products and services through online/internet channel from 1 June 2013 - 31 December 2013.

<sup>3/</sup> Revenue from watch sales from 1 November 2013 - 31 December 2013.

### Revenue Structure by Sales Channel

Consolidated Financial Statements (* pro forma)	2011*		2012*		2013	
	Baht million	%	Baht million	%	Baht million	%
1. Modern Trade	1,389.9	77.0	1,771.1	69.3	1,783.9	60.0
2. Free-standing Shop	395.4	21.9	729.5	28.5	1,140.0	38.4
3. Other Channels <sup>1/</sup>	19.2	1.1	55.0	2.2	48.9	1.6
<b>Total Sales Revenue</b>	<b>1,804.5</b>	<b>100.0</b>	<b>2,555.6</b>	<b>100.0</b>	<b>2,972.8</b>	<b>100.0</b>

Remark: <sup>1/</sup> Revenue from other channels are revenues generated from sales agents, exhibition booths and retail/wholesales stores and online channel.

### Target Customers

Top ten customers in terms of generated sales revenue are mostly large-sized modern trade customers. Revenue from top ten customers made up for 49.2%, 46.1% and 40.6% of total sales revenue in 2011, 2012 and 2013 respectively.

With regard to revenue by geography of end-customers, upcountry customers contributed to 81.6%, 80.5% and 76.0% of total sales revenue in 2011, 2012 and 2013 respectively.

### Sales Channel

As of 31 December 2013, MC GROUP distributed all its products across 684 points of sales nation-wide and 10 points of sales in foreign countries through appointed agents. Details of each channel are outlined below.

1. **Free-standing Shop:** Most Free-standing Shops are located in shopping malls and plaza sections in department stores. Our Free-standing Shop comprises:
  - Free-standing Shop that distributes mainly ready-to-wear denim products under "Mc", "Mc Me", "Mc Lady", "Mc mini" and "Bison".
  - Free-standing Shop that distributes fashion woman ready-to-wear clothing under "Mc Pink".
  - Free-standing Shop that distributes everyday wears for all types of customers under "mc mc".
  - "The Blue Brothers Denim Store" that distributes premium denim products for high purchasing power customers under MC GROUP-owned "The Blue Brothers" brand and other leading imported brands from abroad.
  - Free-standing Shop that distributes leading fashion watch brands including Diesel, DKNY, Emporio Armani.



2. **Modern Trade:** Points of sales in modern trade channel are sales counters in chained department stores, local department stores or super stores across country such as Central, Robinson, The Mall, Big C, Tesco Lotus etc.
3. **Mobile Unit:** In rural Thailand and neighboring countries where other points of sales are not present, mobile unit is deployed to reach the customers and to test the market before opening shops.
4. **Other domestic channels:** These channels include sales booth in exhibitions or festivals.
5. **Appointed agents in foreign markets:** MC GROUP expanded its sales network outside Thailand by appointing foreign sales agent to execute sales and marketing of its products starting with Myanmar since April 2012 and Laos since December 2012. The Company planned to go into other markets in AEC such as Indonesia, Malaysia, Vietnam and Cambodia in the near future. As of 31 December 2013, MC GROUP had 10 points of sales in foreign markets - 9 in Myanmar and 1 in Laos.

• Number of point of sales by company for 2011, 2012 and 2013

Clothing and apparels under "MC GROUP"

By Channel	2011		2012		2013	
	PoS	%	PoS	%	PoS	%
Free-standing Shop	74	16.6	117	22.9	174	28.0
Modern Trade	372	83.4	394	77.1	439	70.2
Mobile Unit	-	-	-	-	1	0.2
Subtotal-domestic points of sales	446	100.0	511	100.0	614	98.4
Point of sales in foreign markets	-	-	-	-	10	1.6
Total	446	100.0	511	100.0	624	100.0

Watches under "Time Deco"

By Channel	2011		2012		2013	
	PoS	%	PoS	%	PoS	%
Free-standing Shop	-	-	-	-	13	18.6
Modern Trade	-	-	-	-	57	81.4
Total	-	-	-	-	70	100.0



- Number of point of sales by geography for 2011, 2012 and 2013

#### Clothing and apparels under "MC GROUP"

By Geography	2011		2012		2013	
	PoS	%	PoS	%	PoS	%
Upcountry	311	69.7	362	70.8	451	72.3
• Free-standing Shop	59	13.2	93	18.2	137	22.0
• Modern Trade	252	56.5	269	52.6	314	50.3
Bangkok and vicinities	135	30.3	149	29.2	162	26.1
• Free-standing Shop	15	3.4	24	4.7	37	6.1
• Modern Trade	120	26.9	125	24.5	125	20.0
Mobile Unit	-	-	-	-	1	-
Subtotal-domestic point of sales	446	100.0	511	100.0	614	98.4
Point of sales in foreign markets	-	-	-	-	10	1.6
Total	446	100.0	511	100.0	624	100.0



### Watches under "Time Deco"

By Geography	2011		2012		2013	
	PoS	%	Pos	%	PoS	%
Upcountry	-	-	-	-	28	40.0
• Free-standing Shop	-	-	-	-	5	7.1
• Modern Trade	-	-	-	-	23	32.9
Bangkok and vicinities	-	-	-	-	42	60.0
• Free-standing Shop	-	-	-	-	8	11.4
• Modern Trade	-	-	-	-	34	48.6
Total	-	-	-	-	70	100.0

6. Online/internet Channel: MC GROUP launched its online channel under website [www.wowme.co.th](http://www.wowme.co.th) in June 2013 with the purpose of entering online market. This internet channel is operated by WoWme Limited, a subsidiary of MC GROUP Plc. (79.97% ownership). MC GROUP planned to utilize this online platform to extend to other product lines to respond to changing consumer behavior of young generations.

### Pricing Policy

Pricing policies that determines retail prices of all MC GROUP's products are formulated by considering all related factors ranging from cost of goods sold, type, collection, patterns, minimum gross margin to market demand, competition and purchasing power of target customers. Our retail prices are reasonable and competitive with rivals offering the same products. The Company has no penetration/predatory pricing policy to compete with other players in the market. However, some items will be sold at discounted prices under occasional sales promotional campaigns and marketing strategies of the Company and/or Modern Trade to boost sales and expand client base.

Our pricing strategy can be categorized into 3 groups depending on sales channels and PR & marketing periods as follow:

- **Normal Price:** Fix retail prices at tag prices. MC GROUP deploys this pricing strategy for products sold in its Free-standing Shops and points of sales in Modern Trade venues. These prices are competitive prices to products of the same types and qualities. This pricing also covers new value-for-money brand mc mc.
- **One Price:** Set retail prices as one price such as Baht 790, 890 and 990 per item. This pricing policy is designed for special products that are intended for specific target customers and channels, mainly big retail stores.
- **Promotional Price:** Set retail prices to be lower than normal prices. This applies to some products that will be sold at discounted prices under sales promotional campaigns, mostly for slow-moving products or during festivals to boost sales.

## Product Sourcing

There are two main sources of products for sales and distributions which are 1) manufacturing factories of its own subsidiaries and 2) outsource manufacturers. Under the current sourcing policy, all basic jeans wears and fashion products that need new breaching techniques are manufactured from its own subsidiaries while outsource suppliers will be commissioned to produce other lines of products including t-shirts, polo shirts, women fashion wears, leather products such as bags, shoes and belts, accessories such as caps and scarves as well as fashionable jeans wears with a lot of details. In case of overcapacity, the Company also relies on these outsource manufacturers. Currently, the Company is seeking production outsourcing opportunities in foreign countries by considering labor costs and labor skills. AEC countries are first priorities given that the tax benefits are present and it is supportive to business expansion in Asia.

Concerning the environmental impact, the Company and its subsidiaries have been actively monitoring the production to minimize the negative impacts on environment that can arise from production process; for instance, waste water from washing and bleaching and toxins and fumes from spraying. The Company has strictly followed measures in controlling and preventing environmental impacts.

- 1) **Waste water from washing and bleaching:** Waste water from washing and bleaching activities will be stored and treated in waste water treatment pond to maintain appropriate temperature, PH balance, smells and color complying to the rules and restrictions from the Department of Industry Works before releasing to public water sources or outside environment.
- 2) **Toxins and fumes from spray painting:** Toxins, vapors and fumes from spray painting process will be contained before being exposed outside the factories. Sufficient protection such as rubber gloves, cloaks, boots and masks is mandatory for workers involving in the process.

Since its production commencement, The Company and its subsidiaries have never faced any litigation or legal charges against the Company that is related to environmental impacts nor received warnings from government authorities under the regulating laws, namely Factory Act and Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (1992).

With regard to the sourcing of watch products, the Company acts as the distributor and orders most of the products directly from foreign brand owners. The Company will see all the products before purchasing twice a year and the time from ordering to delivery is around 2 - 4 months. Sales forecast and order will be conducted on a monthly basis to ensure the match between supply and demand.





## Markets and Competition

### Apparel and Lifestyle Product Retail Business in Thailand

The year 2013 has brought along many challenges for apparel and lifestyle product retail business. Downwards trend in export, industrial production as well as private consumption put a big dent on Thailand's economic growth. Household spending took the economic toll as consumers face more strict financial conditions regarding their purchasing power. The National Economic and Social Development Bureau estimated that Thailand's GDP will expand at a rate of only 3% while household consumption barely rose at 0.8% compared to 6.5% and 6.7% growth the previous year.

Besides broad macroeconomic indicators, Thai consumer behavior also adjusted to changing economic environment. Consumers tended to become more fashionable and self-caring but at the same time focused on value-of-money as they became smarter in purchasing. Urban lifestyle is widely adopted in upcountry where consumers require convenience in order to make purchasing decisions.

Furthermore, consumers became more and more active and responsive to rapidly-changing fashion thanks to advancement in communication technology that vastly improved access to fashion both locally and internationally. Consumers were enabled to make more informed decision while they seek to find products that are new, fashionable and relevant. Therefore, a number of new brands both Thai and foreign were launched or imported last year that changed the industry landscape in Thailand especially the entry of world-leading fast fashion retailers such as Zara, UNIQLO, H&M and GAP, etc.

Given the aforementioned factors, rising competition in apparel and lifestyle product retail business was inevitable. Most retailers were rivaling to acquire same groups of customers through same channels particularly famous department stores and Free-standing Shops in fashion centers. Players needed to work harder to attract customers and maintain their market share and do their best with their sales promotion strategies, brand awareness enhancement, sales network management to contend under intense competition. New players have their competitive edge in terms of freshness of the brands, innovations in designs and efficient sales network that resulted in lower costs. Quality of service was also under spotlight to differentiate brands apart from pure product presentation.

## Overview of Apparel and Lifestyle Products Retail Business under AEC (ASEAN Economic Community)

Since its commencement, ASEAN has grown firmly towards its cooperation among Southeast Asian countries. Regional economic integration of ASEAN countries or AEC (ASEAN Economic Community) of 10 participating countries will be fully implemented in 2015. The AEC will prepare the region to respond to globalization trend and transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital which will promote trade negotiation power, cooperation and competitiveness of the ASEAN countries. As a result, AEC is expected to further fuel economic growth for ASEAN economy.

Under more open policies and lifted regulations mandated by the AEC, retail business in ASEAN is expected to experience another growth phase spurred by changes in lifestyle and higher purchasing power of the new generations who pay more attention in fashion and wears. Consumers in middle market in ASEAN which are regarded as high potential target group should expand rapidly. With technological developments, it will be easier to put marketing efforts to tap into this group of consumers as they are open for new things and make quick purchasing decisions.

Considering the business opportunities in retail business, ASEAN market surely opens doors to private participants. Currently, ASEAN countries have a total population of 608 million people and a total GDP of 2,320 billion US dollars. This regional market will add significantly to potential in apparel and lifestyle product retail business. Furthermore, other supportive factors are also present including modernization of consumer behavior, higher income, expanding tourism, volume and value of border trade, soaring investments, job creation.





## Risk Factors

Risk factors that may significantly impact business operations, business performance, financial conditions and business opportunities including respective risk mitigation plans are summarized as follows:

### Industry Risk (related to Apparel and Lifestyle Product Retailing Business)

#### Risks from intense competition in ready-to-wear retailing business

Major factors affecting the competition in ready-to-wear retailing business are new entries of both domestic and foreign players, new brand development, price competition, advertising and PR and expansion of channel network to reach customers.

However, the Company has plans to increase the number and proportion of owned Free-standing Shops and other alternatives channels such as mobile unit. The channel network expansion will extend the reach to customers through easier access to products as well as enhanced brand awareness.

Furthermore, given the long experience in the business, the Company has the edge in quality and cost controls thanks to owned production facilities and tight relationships with suppliers and outsource manufacturers.

#### Risks from changing customers' preferences in fashion products

Changing customer tastes, preferences, and lifestyles especially in fashion industry as well as seasonality have a big impact on the sales of fashion items offered by the Company. The fast changing nature of fashion industry has left the Company vulnerable to risks that new products might not meet the customer needs and interests in a timely manner.

The Company took this fact at heart and put efforts on capturing and analyzing customer trends and preferences through extensive surveys and close tracking and observation of fashion and trends both locally and internationally. Furthermore, a close collaboration of sales and design teams at the Company will add speeds to our product development to respond to customer needs with new desirable fashion products.

### Business Risks

#### Risk of deviations from business plans

Business plan and growth strategies of the Company comprise product diversification, new brand development, channel network expansion, M&A, joint ventures and partnerships, production cost reduction and expansion of production to low-cost locations. The success of these strategies is key to the performance of the Company.

The Company's board and management team has emphasized the importance of these business planning and growth strategies as the main catalyst to achieve the Company's goals. The Company has taken solid steps in executing business plans and monitoring the progresses of each initiative and strategy. For instance, in 2013 the Company launched its new brands The Blue Brothers and mc mc to enhance varieties of product offerings and cover broader customer's base.

Plus, MC GROUP also invested in watch business as an important step to enter into lifestyle business as envisioned and planned.

#### **Risk of overreliance on a small number of major customers (Buyer concentration risk)**

Top ten customers of the Company, mainly big retailers in modern trade have provided a significant business over a long period under good relationships. However, the Company realized the fact that overreliance on these big retailers has put the Company at risks given the low negotiation power. Thus, the Company formulated risk mitigations policies aiming to maintain and develop strong ties with those retailers in one front and reduce reliance on them by focusing on owned Free-standing Shop expansion on another front.

#### **Risk of inventory mismanagement**

Difficulties in manufacturing and distributing high volume and variety of products as well as unpredictable demand put a threat on our inventory management. The mismatch of demand of supply at any point of time will hinder on-time product delivery.

To solve this issue, the Company assigned a working team to directly handle and optimize inventory management from product design, raw material sourcing production storage and delivery. The team also set the standard time in product development and production so as to minimize the time to market.

Moreover, the Company is currently developing and implementing its Enterprise Resource Planning (ERP) to enhance the efficiency in all related business processes.



## Risks related to Product Sourcing

### Risks from fluctuations in prices of raw materials

Cotton is the major component of jeans. Generally, market price of jeans has rather low volatility. However, world market price of cotton can also fluctuate and go up unexpectedly which may affect the prices of jeans which is the Company's major raw material for production.

Nevertheless, as the biggest user of jeans, the Company can exert a better negotiation power on raw material pricing with the suppliers. These jeans suppliers are also mostly well-managed and have a good track record of managing the prices of cotton in the past. Moreover, the Company operates its procurement process through an efficient system with proper procurement planning and vendor selection resulting partly in stable gross margins.

### Risk from reliance on leasing factory and other assets from the majority shareholders

The fact that the Company leased factories and other assets from the majority shareholders to operate the business (details can be found in related party transactions part) gave rises to risks of reliance in business operations. However, leasing provides more flexibility and additional advantages in moving production base in the future depending on the business expansion opportunities.

## Legal Risks (related to Laws and other Trade Regulations and Practices)

### Risks from free trade agreement of ASEAN Economic Community (AEC)

The union of ASEAN Economic Community (AEC) in 2015 will open borders and allow free flows of resources, funds, labor and trades in ASEAN countries. That will result in an intensified competition of products and services from other ASEAN countries to Thailand and in other ASEAN markets as well.

With high product quality, affordable prices and fitted designs for Asian customers, the Company is confident that our products have the advantages to compete with other foreign brands. Additionally, brand awareness building efforts, sales and distribution expansion to other ASEAN countries will further enable the Company to thrive through these competitive threats facing the Company from this free-trade agreement. Currently, the Company has already set a strong foothold in a few ASEAN markets outside Thailand.

### **Risk from rental contract renewal**

The Company normally rent retailing spaces to build Free-standing Shops for an average of 3 years. The risk arises when there is no guarantee of rental contract extension/renewal after expiration or in case the rental prices and other fees go up after 3 years.

However, most lease agreements grant the Company rights to extend the contracts before other parties when expire and some are stated clearly on a specific clause regarding rental fee adjustments. Moreover, the Company has maintained good relationships with the landlords/property owners by strictly conforming to the rental as well as helping attract more customers to those department stores or other properties. As a result, the Company has no track record of contract cancellation or getting rejected from contract renewals and believes to continue keeping that good record in the future.

### **Risk from changes in sales contract/agreement**

For retailing business, sole distributorship is key to competitiveness. There are 2 types of sales contracts: autonomous renewal contract and term contract. The Company risks its sales revenue from being a sales agent in case of the term contract where the counterparty might not renew the contract.

Nevertheless, strong ties with the counterparties as well as good record of compliance resulted in trust and thus renewal of the contracts. In case of changes in agreements especially the compensation rate, the Company will make sure to negotiate with the best mutual interests of both parties.





## Corporate Social Responsibility

MC GROUP Public Company Limited has a management principle that focuses on good corporate governance and corporate responsibility towards society, environment and all stakeholders to ensure that all parties are treated fairly. The Company also emphasizes on managing businesses in compliance with laws and regulations to affirm its good corporate governance and its emphasis on environmental and social responsibility. These altogether will enhance stakeholders' confidence in the Company's business management and enable the Company to grow steadily and sustainably.

### Overall Policy

From our past business management, the Company always put an importance on society, environment, and stakeholders who may get an impact from our business operation. The Company has set a Code of Conduct and related procedures for its management and employees and put them in the written form under "Business Ethics Manual". Distributed to all management and employees, the manual is aimed to promote understandings of the Company's Code of Conduct among employees to enable their strict adherence and to encourage their socially and environmentally-responsible mindset in accordance with corporate social responsibility guideline provided by the Stock Exchange of Thailand as follows.

### Ethical Business Practices

The Company has a policy to conduct its business with ethics, transparency and fair competitions under international standards of competition and other relevant business competition-related laws and regulations that are aimed to prevent market monopoly, unfair market manipulation, corruption, market mechanism distortion, illegal access to competitive information of competitors and etc. The Company also commits not to discredit and/or get rid of its competitors by any unethical ways such as paying bribes to its competitor's employees or accusing its competitors illegitimately.

In addition, the Company has a Code of Conduct to ensure that its management and employees shall avoid and prohibit any business activities that involve or will incur conflict of interests both in a direct and indirect way and involve or will incur any infringement of intellectual property rights. These policies are in place to ensure transparent business management which can be audited in any steps.

### Anti-Corruption

The Company has an anti-corruption policy that is aimed to build an anti-corruption mindset and encourage its management and employees to conduct businesses in conformation with Code of Conducts and with honesty. This includes the Code of Conduct that prohibits an offer of assets or any benefits to stakeholders and a refusal for any offer of assets or any benefits from stakeholders which will lead to any actions or any avoidance of actions resulting in damages or disadvantages to the Company.

Not only that the Company has stipulated that there must be a continual business risk assessment and internal audit process to prevent corruption, but also a process to monitor a strict adherence to the anti-corruption Code of Conduct by its management and employees.

The Company conducts business with adherence to countering a corruption in all forms by having risk management and risk assessment processes to prevent and fight corruptions and promoting a corporate value that emphasizes on honesty and integrity.

### **Respect for Human Rights**

The Company strictly conforms to regulations and standards relating to human rights by setting a Code of Conduct to ensure that its employees work and treat one another equally and fairly with full respect on personal rights and without discrimination on race, religion, gender, social and political status to be in compliance with standard practices relating to human rights. The Company has determined not to support or promote any businesses that violate human rights.

### **Equitable Treatment of Employee**

The Company always considers our employees as one of its key stakeholders. The Company values employees as important resources that help the Company grow so all employees are expected to be treated equitably in terms of opportunities, remuneration, career development, quality of life, and safety. To realize this fair employee treatment goal, the Company has set several policies including a hygiene, safety, and environmental friendliness at a workplace policy, people training and development policy, employee perks and benefits policy that is compliance with regulations and standards relating to human rights.

### **Responsibility to Customers**

The Company considers responsibility to customers as our priority. In order to ensure the highest customer satisfaction and the fairest customer treatment, the Company has the following Code of Conduct for treating its customers:-

1. The Company delivers quality products and services that meet or even exceed customers' expectations and at a reasonable price,
2. The Company provides correct, sufficient, and timely information to its customers to educate them about the Company's products without an overstatement of product qualities to avoid any misunderstandings,
3. The employees know and understand products and services well and that they provide correct information about products and services to customers,
4. The employees thoroughly understand what customers need before presenting products and services to customers in order to correctly satisfy customers' needs. Also, the employees must be eagle to learn new things to strengthen their experiences in satisfying customers' needs,
5. The employees treat customers politely and respectfully,
6. The employees have positive attitudes towards customer service and put an importance on servicing to customers at their best effort resulting in valuable, efficient, and superior services, and
7. The employees must respect customers' decision and opinions and must not violate customers' personal rights.



## Environmental Treatment

The Company and its subsidiaries are committed to conserving environments. It has policies to solve any production problems that may harm environments and put an environmental management measure in place with continuous development and refinement to mitigate environmental impacts incurred from its business operation. The Company has put its care on the environment in every step of its activities starting from procuring environmental-friendly raw materials, reducing and managing wastes from its manufacturing, reducing energy consumption, recycling, etc.

## Community and Social Development

Emphasizing on its community and social responsibility, the Company sees the development of projects and activities that improve the society and community as one of its key missions. The followings are the Company's policies relating to Community and Social Development:

1. The employees should participate in activities that benefit our society in some ways such as education, environment, career development, and etc.
2. The employees should realize that they should be a part in conserving and preserving environment and also should help the Company prevent any activities that may harm the environment and/or its ecosystem.

## Innovation and Dissemination of Responsibility on Society, Environment, and Stakeholders

The Company upholds its commitment in developing good corporate governance to create an organization that adds values to the society with a right balance between operating/financial results and its responsibility on its stakeholders including society, community, and environment. The Company shall conform to any related laws and regulations to ensure that rights of stakeholders are fairly protected and to encourage stakeholders to participate in creating wealth, stability, and sustainability of the Company in a long run.

## Business Operation and Reporting

In writing Corporate Social Responsibility Report ("CSR Report") for 2013, the Company encourages and put an emphasis on fully disclosing information that reflects its CSR policies and guidelines as mentioned in the previous section. This disclosed information not only benefits stakeholders by showing them our social and environmental responsibility but also help the Company's auditor determine whether the Company has taken CSR actions according to its pre-determined goals.

During the past year, the Company still continues to put an importance on roles of stakeholders including shareholders, employees, customers, business partners, competitors, creditors, society and environments and accordingly has conformed to the following CSR policies and guidelines.

### 1) Ethical Business Practice

The Company has operated its businesses with good corporate governance, transparency, creditability, commitment to create more jobs, and goal to strengthen its financial status in order to maximize shareholders'

values and pay dividend in an appropriate amount and timing. The Company promises to retain good relationship with its business partners by having a fair procurement without any discrimination and any anti-competition. Also, it commits to compete under a legitimate boundary of competition by strictly upholding its business ethics and its promises to customers while taking into account of mutual benefits of all stakeholders and mutually-agreed contracts. The Company has a policy to develop its products at the promised quality within agreed timeframe and to prevent any infringement of any intellectual property protected by laws by having measures for inspecting and auditing the Company's use of any licensed products such as computer programs, other company's trademarks, and etc.

## 2) Anti-Corruption

The Company has run its business with transparency and social responsibility by strictly denying any offered bribes and prohibiting an offer of bribes. For business as usual basis, the Company continually assesses business risks, pushes for a stricter internal audit process and reviews every business procedures to ensure the prevention of any corruption.

In addition, the Company designed its organization structure in accordance with good corporate governance guideline that ensures an audit capability and an efficient balance of power. To ensure that management and employees understand the concept, the Company held activities to educate and build anti-corruption mindset to get them to acknowledge the rules and guidelines which lead to their compliance in a tangible way.

## 3) Respect on Human Rights

The Company carries out business with fairness to all parties and stresses the importance of transparency and accountability. The Company has a policy to routinely assess its business operation to ensure that it does not involve in any activities that violate human rights.

Furthermore, the Company has set a policy to appropriately and fairly handle complaints from parties who are treated unfairly and a policy to appropriately protect employees who inform on or disclose of any wrongful conducts or any non-compliance with rules, laws, and regulations.

## 4) Equitable Treatment of Employee

The Company truly believes that its employees are the most valuable assets that will help bring success to the Company. Thus, the Company is determined to ensure that every employee is well developed to unleash their potential and is proud and confident in working here by organizing both internal and external trainings to enhance employee's capability.

In 2013, the Company initiated a new project called MC Academy. For phase 1, it aims to develop skills that employees in sales functions and management-level employees need to excel in their jobs and unleash their potentials. Also, the trainees are expected to understand what customers need and learn to communicate and provide services that meet customer's expectation in a professional way.

For the Company's subsidiaries, there is also an employee development program that emphasizes on raising working standards, excelling in operation while maintaining high work ethics. To ensure an efficient compliance and assessment on safety, hygiene and working conditions to minimize casualty, accidents, and sickness from working,



the Safety, Occupational Health and Working Environment Committee, Safety Officer, and Safety Officer Management level were set up and put in place. Moreover, the Company participated in external activities held by related government bodies to promote safety.

The Company always cares about safety, health, and assets of employees as evidenced from its 24-hour safety guards, safety alarms and related equipment in its buildings fire engine on site for any emergency, annual fire drill efforts and annual training on how to use equipment for personal safety. These are all for employees to understand and follow the work procedures that are accordance with safety and environmental standards.

For remuneration and benefits, the Company treats employees fairly by providing fair and reasonable remuneration and benefits that match with their knowledge, capability, responsibility, individual performances, and their ability to create work conditions according to the "Happy Work Place" program. The Company also provides benefits on medical bills and provident funds to management and employees. Moreover, it pays variable bonus to employees when meeting profit target.

The Company also provides full-time nurses on site to safeguard employees' physical and mental health. The Company would like to ensure that employees work in good and safe working conditions without threats from sickness, injury and any diseases, enabling them to work efficiently and happily.

#### 5) Responsibility to Customers

The Company aims for the highest customer's satisfaction with a commitment to show its responsibilities to customers through delivering the high quality products and services at reasonable price. The Company also intends to develop new products and offer more product selection to customers through a safe and fast full service channels that satisfy what customers look for and retain its strong relationship with customers for the highest customer's satisfaction in a long run.

#### 6) Environment Conservation

As stipulated in its good corporate governance policy, the Company and its subsidiaries conduct its business with concerns for society and environment. Responsibilities on society and environment are considered one of key ethics that the Company has strictly followed.

P.K. Garment (Import-Export) Co., Ltd. and Mc Jeans Manufacturing Co., Ltd. put an emphasis on conserving environment through an on-going examination of environmental risks incurred from production such as waste water from dying and dust from color spray. The Company has the following measures to minimize environmental risks.

1. Waste water from dying: Waste water from dying process is kept in the waste water treatment tank until the waste water is in the condition allowed under regulations by Department of Industrial Work to be drained to the public draining system or environment.
2. Dusts from color spray: Dusts from color spray used in production is vacuumed by the vacuum system immediately so the dusts cannot spread away from our factories. In addition, employees are well protected with other safety tools such as gloves, gowns, masks, boots and etc.



Since the commencement of our operation, all factories run by the Company's subsidiaries never have any disputes and lawsuits relating to environment. They also never receive any complaints from government departments regarding their compliance to environment-related regulations such as Factory Act B.E. 2535 (1992) and the Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (1992).

#### New Project: Product Development via Recycled Fabric

The Company sees an importance of environments so it has innovated a new way of conducting business that helps society and environments. It has a new project aimed for developing new products from recycling remnants of clothes. Each month, the Company has approximately 7 tons of remnants of clothes from its production so it has an "Upcycling Process" idea for a better use of clothes. This project has Dr. Singha Intrachooto as a project advisor. Such remnants of cloths can be used to create new products by the most efficient use of resources in an organization including existing human resource, processes, procedures, and equipment. The project welcomes participation by employees in every step starting from product research, product design, and production. Some products created under this project are jeans tote bags, slippers, pillows, cushions, and etc. The future project plan is to cooperate with other researchers and organizations for other innovative product research and development such as how to make paper from remnants of clothes, how to develop composite jeans material from remnants of jeans cloth and etc. Beyond making the best use out of waste from production, the project is aimed to create more job opportunities for community in future.

#### 7) Social Development Activities

In 2013, the Company and its subsidiaries has involved in social responsible activities in several aspects. In terms of environment, the Company has minimized environmental risks from its production through its waste water management procedures and its dust management procedures. The Company and its subsidiaries have more recycling plan under "Upcycling Process" to produce paper, slippers, and wallet from remnants of clothes. This idea when realized can create more job opportunities for community.



For socially-responsible activities, Mc Jeans Manufacturing Co., Ltd., branch #2, sees importance of family unit so it held Mother Day event for employees whose children also works at the Company to encourage a strong bond within family.

### Socially and Environmentally Responsible Activities (after process)

The Company has been supporting activities held by Mc Jeans Foundation for Thai Society. In 2013, the Company donated Baht 1,236,810 to support the following 16 activities.

#### Donation to schools or university for educational support

- Donated Baht 50,000 for 61 scholarships to students from KotchaPauk Anusorn School, Bangkok.
- Donated Baht 30,000 to Faculty of Architecture, Thammasat University for expenses incurred from charity design project and buying sport equipment for underprivileged kids.
- Donated Baht 50,000 for lunch and scholarship for students from Panitprasart School, Mueang District, Phayao.

#### Donation to hospitals and underprivileged patients

- Donated Baht 100,000 to a charity concert "Siriraj Sooksan Pansook" for cancer patients.
- Donated Baht 6,810 to Foundation for the Blind in Thailand under the royal patronage of H.M. the Queen for 204 new pairs of sandals.
- Donated Baht 100,000 to Cancer Foundation at Siriraj Hospital to help cancer patients.
- Donated Baht 100,000 to Siriraj Foundation for establishing a fund for Children's Physical Medicine and Rehabilitation.

#### Donation to Foundations for Mother and Child

- Donated Baht 100,000 to Quality Mother Foundation to promote an educational seminar for pregnant women and mothers with before-school children.
- Donated Baht 50,000 to Child Foundation to support child sponsorship program and scholarship for under privileged children in rural area.





- Donated Baht 50,000 to Foundation for Slum Child Care.
- Donated Baht 50,000 to SOS Children's Villages Thailand.
- Donated Baht 50,000 to Foundation for the Better Life of Children.

#### Other donations

- Donated Baht 50,000 to support the annual flower event hosted by Swissôtel Nai Lert Park Bangkok of which revenue was donated to the Association for the Promotion of Education in the Remote Areas, the Foundation for the Welfare of the Mentally Retarded of Thailand, and Fund for the Development of Children and Youth in Remote Area.
- Donated Baht 100,000 to the Association for the Promotion of the Status of Women to support women and children who encountered problems in the emergency home, to provide scholarship for children and for women, to support underprivileged women and children with HIV.
- Donated Baht 300,000 to Thairath Foundation to promote education among underprivileged students and students who achieve good grades.
- Donated Baht 50,000 to Friends in Need (of "PA") Volunteers Foundation Red Cross.

### Anti-Corruption Policy

The Company sees an importance on the prevention of corruption. The Company has stipulated the Code of Conduct for its board members, management, and employees in the "Business Ethic Manual" which is well developed under good corporate governance framework.

To ensure that the Company conduct its business fairly and with responsibilities to the society and stakeholders, the board of directors' meeting No. 6/2013 on 13 November 2013 had a resolution to devise "Anti-Corruption Policy" in written format to affirm the Company's anti-corruption intention and to educate and guide everyone in the Company to the same direction. Moreover, the board of directors also resolved that the Company participate in the "Thailand Private Sector Collective Action Coalition against Corruption" to learn of way of conducting corruption-free business which will help develop a foundation for sustainable organization. In the Board of Directors' meeting No. 1/2014 which held on 26 February 2014, has already approved "Anti-Corruption Policy" of the Company that be planned to take effect starting 2014, including the signing of the Declaration of Intent by the Chairman of the Board.



## Shareholders and Dividend Policy

### Registered Capital and Paid-up Capital

As of 31 December 2013, the Company has shareholding structure as follows:

Common share : Registered Capital Paid-up Capital 400,000,000 Baht  
 : Common Shares 800,000,000 Shares  
 : Par Value 0.50 Baht/Share

### Shareholders

#### Majority Shareholders

List of top ten majority shareholders as of 31 January 2014<sup>1/</sup> is summarized below.

No.	Shareholders	Number of Shares	%
1.	Ms. Sunee Seripanu	302,265,400	37.78
2.	Mr. Pichai Karnjanarporn	100,000,000	12.50
3.	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, FUND SERVICES DEPARTMENT	77,303,700	9.66
4.	MINDO ASIA INVESTMENT LIMITED	70,000,000	8.75
5.	Mrs. Pratana Mongkolkul	30,871,000	3.86
6.	Mr. Virach Seripanu	30,800,000	3.85
7.	Ms. Jessuda Bualert	14,297,060	1.79
8.	THAI NVDR CO., LTD.	12,044,100	1.51
9.	NORTRUST NOMINEES LTD.	9,278,100	1.16
10.	Ms. Niramol Na Songkhla	8,000,000	1.00

Remark: <sup>1/</sup> On 10 January 2014, MC GROUP restructured shareholding structure by the institutional shareholders. Therefore the list of shareholders was showed as of 31 January 2014 that the latest book closing dates to make the disclosure in the annual report as current as possible.

The majority shareholders that can influence policy setting, management and directions of the Company are Ms. Sunee Seripanu, Mr. Pichai Karnjanarporn, Mrs. Pratana Mongkolkul and Mr. Virach Seripanu. This group of majority shareholders together owns 57.99% of the Company.

### Foreign Limit

The Company has set foreign limit of shareholding at 49% of paid-up capital. As of 31 January 2014, foreign shareholders of the Company held 20.55% of paid-up capital.

Type of Shareholders	Number of Shares	%
Thai shareholders	635,623,700	79.45
Foreign shareholders	164,376,300	20.55
Total	800,000,000	100.00

### Dividend Policy

The Company shall pay dividend not less than 50% of the net profit in consolidated financial statements after deducting all appropriate reserves and investments in accordance to the applicable laws and the Company's regulations. However, the dividend payments shall depend on investment plans, necessity, and other rationales. When the Board of Director agrees on the annual dividend payment, the Board must propose to the shareholders meeting for approval with the exception for interim dividend payment. In that case, the Board of Directors can approve the payment and report to the shareholders meeting at the next meeting.

As for dividend policies of the subsidiaries, the Company has not fixed a dividend payout ratio but the subsidiaries shall consider the dividend payment policy based on the net after tax profit each year. The dividend payments of subsidiaries shall depend on each company's investment plans and other rationales and the subsidiaries may pay the interim dividend to the shareholders occasionally.





## Management Structure

### Board of Directors

The Board of Directors is responsible for supervising overall business operations of the Company to be in accordance with the laws, the Company's objectives, policies and resolutions of the shareholders as well as to comply with rules and regulations of the Stock Exchange of Thailand (SET) and the Securities and Exchanges Commission (SEC). The members of the Board of Directors must exercise good business judgment and act in good faith for the best interests of the Company and all stakeholders including ensure that effective and reliable accounting, financial reporting and audit systems are in place.

As of 31 December 2013, the Board of Directors consisted of 7 members - 3 executive directors and 4 non-executive directors as summarized below.

Name	Title/ Position	Board Meeting Attendance in 2013
1. Mr. Pichai Karnjanarporn	Chairman of the Board of Directors	7/7
2. Mrs. Pratana Mongkolkul	Director/ Chairperson of the Executive Committee	7/7
3. Ms. Sunee Seripanu	Director/ Member of the Executive Committee	7/7
4. Mr. Virach Seripanu	Director/ Member of the Executive Committee, Member of the Nomination and Remuneration Committee	7/7
5. Mr. Somchai Apiwattanaporn	Independent Director/ Chairman of the Audit Committee/ Chairman of the Risk Management Committee/ Chairman of the Nomination and Remuneration Committee	7/7
6. Mrs. Jamnan Siritan	Independent Director/ Member of the Audit Committee/ Member of the Risk Management Committee	6/7
7. Mr. Supasak Chirasavinuprapand	Independent Director/ Member of the Audit Committee/ Member of the Risk Management Committee/ Member of the Nomination and Remuneration Committee	7/7

Directors who are authorized to sign on behalf of the Company are Mr. Pichai Karnjanarporn, Ms. Sunee Seripanu, Mr. Virach Seripanu and Mrs. Pratana Mongkolkul. At least 2 of 4 authorized directors must sign off and seal with company's stamp.

In any case, the empowerment of authorities, roles and responsibilities of the Board of Directors shall not allow the authorized person to approve transactions that are prone to conflict of interests (as defined in the Securities and Exchange Commission or the Capital Market Supervisory Board's announcements) or related parties have vested interests, any benefits or conflict of interests with the Company and its subsidiaries except the approvals that comply with the policies and regulations that were previously approved at the shareholders' meetings or by the Board of Directors.

The Company currently has 3 independent directors which is in accordance with the corporate governance policies and procedures requiring that at least one third of the Board of Directors be independent (3 out of 7) to ensure sufficient audit and check and balance. Each member is fully qualified to conduct an audit to ensure financial statements' reliability as well as other duties according to the requirements stipulated by the Securities and Exchange Commission and the Capital Market Supervisory Board.

## Executives

As of 28 February 2014<sup>1/</sup> MC GROUP Plc. consists of 7 executives as follow:

Name	Title/ Position
1. Mr. Pichai Karnjanarporn <sup>2/</sup>	Chairman of the Board of Directors
2. Ms. Sunee Seripanu	Chief Executive Officer Chief Marketing Officer (Acting)
3. Mr. Virach Seripanu	Chief Operating Officer
4. Ms. Sangkae Hanvanich <sup>3/</sup>	Deputy Chief Executive Officer Chief Supply Chain Officer (Acting)
5. Ms. Kantima Lerlertyuttitham	Deputy Chief Operating Officer
6. Ms. Yupin Luisiri	Chief Information Technology Officer
7. Ms. Peyanuch Prepraemvatana	Senior Vice President, Finance and Accounting

Remark: <sup>1/</sup> Since the Company changed the management structure on 17 February 2014, the table shows the information as of 28 February 2014 to ensure the most updated information in the annual report.

<sup>2/</sup> Even though Mr. Pichai Karnjanarporn is holding the Chairman of the Board of Directors position, he participates in day-to-day business operations and management as other executives and is paid monthly salaries. Thus, the Company includes him as one of the executives.

<sup>3/</sup> Ms. Sangkae Hanvanich was appointed the Deputy Chief Executive Officer and acting Chief Supply Chain Officer on 17 February 2014.

## Corporate Secretary

At the Board of Directors Meeting No. 1/2013, the Board of Directors has appointed Mrs. Songvilai Jiraphothong, Senior Vice President, Strategic Planning as the Corporate Secretary to perform the duties of supervising and preparing meetings of the Board of Directors, subcommittees and shareholders as well as safe keeping related documents and facilitating compliance to corporate governance standards including those in the Securities and Exchange Act.

## Remuneration for Directors and Executives

### Remuneration for Directors

The Company has established a set of well-defined principles and guidelines for equitable and reasonable directors' remuneration policies. The Nomination and Remuneration Committee is responsible for reviewing these policies taking into account appropriateness of remuneration with respect to business performance and scope of responsibilities to ensure that the Company's remuneration is comparable to that of other companies in the same industry.

Financial remuneration for directors comprises 2 types of remuneration which are monthly remuneration and meeting allowance. At 2013 General Meeting on 15 March 2013, remuneration for directors was set as follow: Chairman of the Board of Directors will receive Baht 20,000 monthly remuneration plus Baht 80,000 meeting allowance per meeting. Directors will receive Baht 10,000 monthly remuneration and Baht 50,000 meeting allowance per meeting. Directors' bonus is limited at Baht 5 million per year depending on the performance as evaluated by previously-set Key Performance Indicator (KPI) against performance targets. Additionally, Chairman of the Audit Committee and Chairman of the Risk Management Committee will receive Baht 15,000 monthly remuneration plus Baht 30,000 meeting allowance per meeting. Members of the Audit Committee and Risk Management Committee will receive Baht 10,000 monthly remuneration plus Baht 20,000 meeting allowance per meeting. Members of the Nomination and Remuneration Committee will receive a total remuneration of Baht 50,000 per year.

In 2013, directors of the Company, totaling 7 persons, received paid financial remuneration of Baht 6,989,994. Details of Board Meeting attendance and remuneration for directors in 2013 are summarized in the table as follows:



Directors' Name	Title/ Position	2013 Meeting Attendance				Monthly Remuneration for Directors				Subtotal Monthly Remuneration	Meeting Allowance		Subtotal Meeting Allowance	Bonus	Total
		Board of Directors	Audit Committee and Risk Management Committee	Nomination and Remuneration Committee		Board of Directors	Audit Committee and Risk Management Committee	Nomination and Remuneration Committee			Board of Directors	Audit Committee and Risk Management Committee			
1. Mr. Pichai Karjanaraporn	Chairman of the Board of Directors	7/7	x	x	x	240,000				240,000	560,000		560,000	354,142	1,157,142
2. Ms. Suneer Seripanu	Director/ Member of the Executive Committee	7/7	x	x	x	120,000				120,000	350,000		350,000	357,142	827,142
3. Mrs. Pralana Mongkolkul	Director/ Chairperson of the Executive Committee	7/7	x	x	x	120,000				120,000	350,000		350,000	357,142	827,142
4. Mr. Vrach Seripanu	Director/ Member of the Executive Committee/ Member of the Nomination and Remuneration Committee	7/7	x	1/1		120,000		50,000		170,000	350,000		350,000	357,142	877,142
5. Mr. Somchai Apiwattanaporn	Independent Director/ Chairman of the Audit Committee/ Chairman of the Risk Management Committee/ Chairman of the Nomination and Remuneration Committee	7/7	5/5	1/1		120,000	180,000	50,000		350,000	350,000	150,000	500,000	357,142	1,207,142
6. Mrs. Jamman Sritan	Independent Director/ Member of the Audit Committee/ Member of the Risk Management Committee	6/7	5/5	x		120,000	120,000			240,000	300,000	100,000	400,000	357,142	997,142
7. Mr. Supasak Chirasavinuprapand	Independent Director/ Member of the Audit Committee/ Member of the Risk Management Committee/ Member of the Nomination and Remuneration Committee	7/7	5/5	1/1		120,000	120,000	50,000		290,000	350,000	100,000	450,000	357,142	1,097,142
<b>Total</b>						<b>960,000</b>	<b>420,000</b>	<b>150,000</b>		<b>1,530,000</b>	<b>2,610,000</b>	<b>350,000</b>	<b>2,960,000</b>	<b>2,499,994</b>	<b>6,989,994</b>

## Remuneration to Executives

In 2013, the Company paid the total of Baht 60.9 million in remunerations to executives as detailed below:

Remuneration for Executives	Total Remuneration (Baht)	
	2012	2013
Number of Executives	5	7
Financial Remuneration		
• Salary, bonus and other remunerations	35,985,000	60,008,419
• Contributions to provident fund and contribution to social security fund	738,150	925,545
Non-Financial Remuneration	None	None

## Employees

### Number of Employees

As of 31 December 2011, 2012 and 2013, the number of employees of the Company and its subsidiaries stood at 1,823 employees, 2,708 employees and 2,878 employees respectively.

Continuous increase in number of employees from 1,823 as of 31 December 2011 to 2,878 as of 31 December 2013 is a result of rapidly expanding business. The manpower expansion was mostly from sales force as the Company added more and more points of sales and other sales channels.

Besides, on 1 November 2013 the Company acquired 51% shares of Time Deco Corporation Co., Ltd. and this investment accounted for another 246 increase in number of employees as of 31 December 2013.

### Total Compensation and Benefits of Employees

In 2011, 2012 and 2013, the Company and its subsidiaries paid total compensations of Baht 330.8, 544.9 and 697.1 million respectively to its employees including salaries, bonuses, overtime pays and other compensations and benefits. For 2013, the number already included compensations to employees of Time Deco Corporation Co., Ltd. in November and December 2013.

### **Provident Fund**

MC GROUP Plc. established a provident fund under the Provident Fund Act B.E. 2530 (1987) (including its revisions). The Company and participating employees contributes 3% of the salary to the provident fund starting from 1 September 2012.

### **Major Labor Disputes for the Past 3 Years**

The Company and its subsidiaries have no record of significant labor disputes during 2011 - 2013.

### **Human Resource Development**

MC GROUP regards human resource development as a key success factor of the organization. The Company adopted competency model in human resource development to directly drive performance and support career development and growth that resulted in practical and effective human resource development planning for its employees.

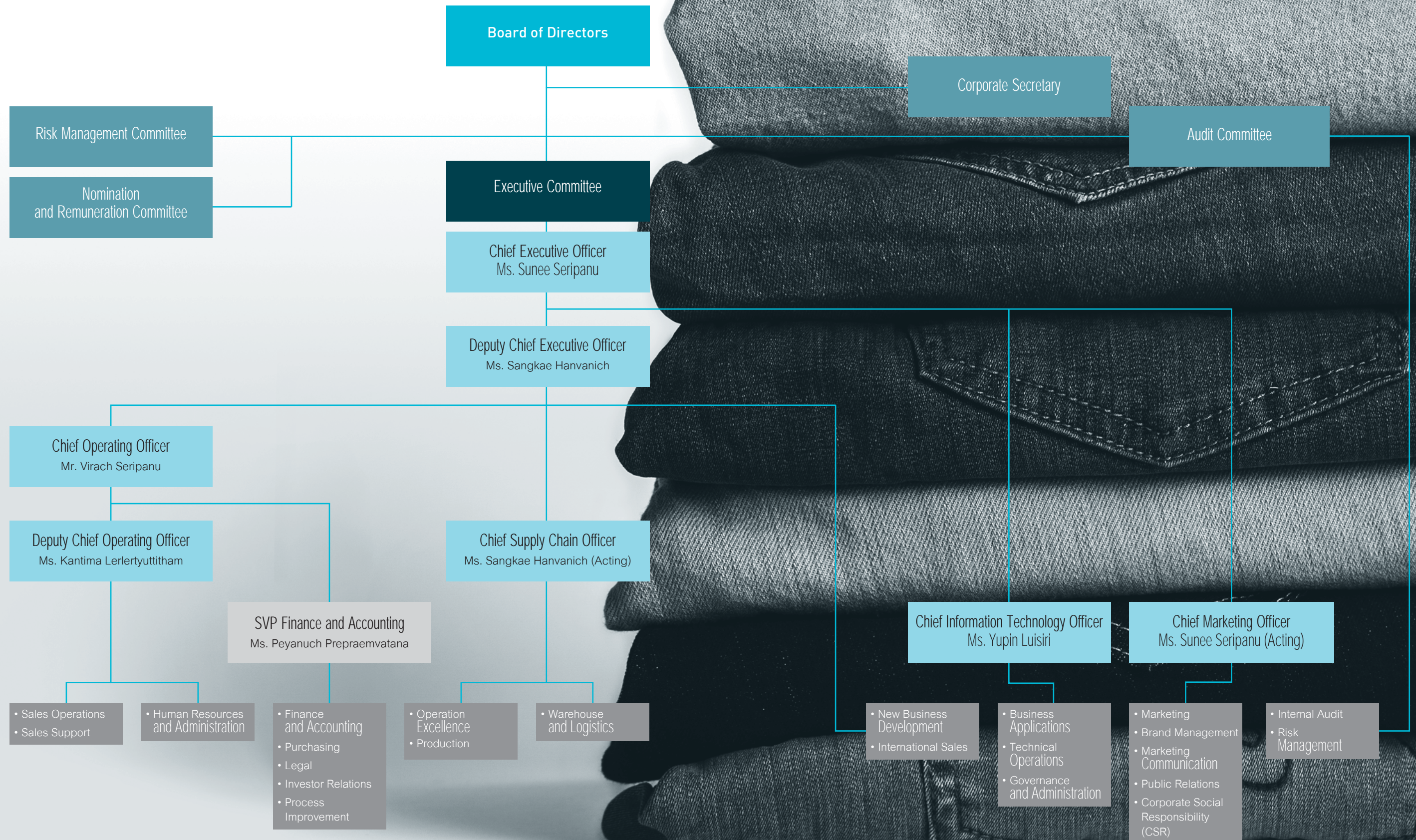
Rooted from its expertise in production and sewing, sewer skill development center was established to train sewers on various sewing skills to become highly-skilled workers. Furthermore, MC GROUP initiated PC Academy that not only develop necessary sales skills, improve service quality and enhance store management ability for its PC staff but also prepare its PC force for better career opportunities in the future.

Judged by its policies and projects related to human resources development the Company and its subsidiaries were pursuing incessantly, it is clear that MC GROUP has devoted its effort towards developing and growing its human capital alongside with the organization and business expansion.





## MC GROUP's Organization Chart







## Corporate Governance

The Board of Directors and management team are determined to continuously improve corporate governance to be the bedrock for the business and accepted internationally. MC GROUP will strive on transparency, business ethics, social responsibility as well as accountability to the Company's stakeholders from shareholders, employees, customers to business partners. Therefore, code of conducts and policies regarding good corporate governance from the Office of Securities and Exchanges Commission (SEC) are widely adopted in the organization to enhance efficiency in management, create added values and support sustainable growth of the Company in the long run. Additionally, the Company communicated its corporate governance policies and business ethics to its employees of all levels across the organization through human resource officers based in every branch as well as on its website.

### Corporate Governance Policy

The Company recognized the importance of good corporate governance in conducting its business. Hence, the Company follows the guideline of the Code of Best Practices for Directors of Listed Company set by the Stock Exchange of Thailand with respect to suitability and practicality to the Company. Moreover, the Company applies the Principles of Good Corporate Governance For Listed Companies (2006) in establishing internal rules deployed in developing policies that includes rights of shareholders, fair treatment of shareholders, roles of stakeholders, information disclosure and transparency, responsibilities of the Board of Directors as follows.

#### Section 1: Rights of Shareholders

The Company recognized the importance of the Rights of Shareholders and shall not act in a manner that violates or diminishes any right of shareholders. The Company advocates exercising of basic Shareholder rights such as the purchase, sell or transfer of shares, the dividend policy, adequate pass-through of Company's information, participation in shareholders' meeting (for removal of directors), the appointment of auditors, and any matter that will impact the Company such as dividend payouts, rules and regulations setting and revision, Memorandum of Association, increase or decrease of share capital and other special approvals.

The Company shall act in its capacity to best encourage its shareholders to exercise their rights including but not limited to:

- The Company shall send out meeting notice shareholders meeting and supporting documents 7 days before the scheduled meeting (or any duration in accordance with the law). The notice will detail meeting agenda and pertinent documents including comments of the Board of Directors, the proxy form (per Ministry of Commerce's designation) and names of independent member of Board of Directors represented in order for the shareholders to delegate their representation in the Shareholder Meeting. The notice shall include maps and direction to the meeting's venue.

The meeting notice shall provide the list of documents that shareholders are required to present on the meeting day in order to exercise the right as shareholder in attending and voting in the Shareholder Meeting according to the protocol of Shareholder Meeting procedures.

Furthermore, shareholders may find additional information relating to rules and regulation about the Shareholder Meeting at [www.mcgroupnet.com](http://www.mcgroupnet.com)

- In the event that shareholders are not able to attend the Shareholder Meeting, the Company allows shareholders to delegate their rights to the independent member or any other persons whom the shareholder might wish to appoint as proxy to cast their votes on their behalf.
- Each Shareholder Meeting, the Chairman of the meeting will inform attendees of the rules to be observed in the meeting including the process of voting and allocation of time for the meeting.
- During the Shareholder Meeting, the Chairman will assume equal rights to each shareholder in asking questions, voice opinions or recommendations. The Board of Directors and relevant members of the Management will be present in the meeting in order to respond to any query or recommendations that shareholders may have and will consider the actions to take forward as appropriate. After the meeting, the Company will prepare a comprehensive Shareholder Meeting report within 14 days after the meeting day and will submit the Shareholder Meeting report to the relevant department and make the report available to the public by releasing the report in the company's website for shareholders and stakeholders for revision.

## Section 2: Equitable Treatment of Shareholders

The Company will act impartially to all shareholders including shareholders who are management, non-management, foreign and minority with the following guidelines:

- Conduct Shareholder Meeting as in accordance with the agenda in the notice of Shareholder Meeting and will not deviate from the agenda without notifying shareholders in advance especially on the important matter that would require significant time to assess the information prior to rendering decisions.
- Allow minority shareholders to propose topics to be included in the meeting agenda and nominate qualified directors as well as any relevant question by submitting letters to corporate secretary of the Company or through the Company's website in advance within the terms set by the Company.
- Encourage shareholders to use the ballots in each and every agenda item in which the ballots will be collected in the meeting for the vote counting before the announcement of the meeting's resolution. For transparency, the Company shall safe keep the ballots by shareholders and their proxies for audit purpose.
- Prepare meeting's minutes that is complete and accurate and submit it to The Stock Exchange of Thailand within 14 days after the meeting date and make the minutes available to the public via the Company's website.
- Recognize the importance of making the material and significant information about the company available to the shareholder in a complete, accurate and timely and transparent manner. This information disclosure will be conducted on an on-going basis.
- The Company's policy and procedure (for directors and the management of the Company) in preventing private corporate information from personal use are:
  1. Regularly inform directors and members of the Management team about their responsibilities to disclose/declare their ownerships of securities themselves their spouses, minor children to the Office of Securities and Exchange Commission according to Section 59 and penalty according to Section 275 of the Stock Exchange of Thailand Act B.E. 2535 (1992) (and its amendments). Moreover, they must report every change in their holding of those securities, i.e. by any purchase, sale, transfer, or obtaining the transfer of securities and stock futures as required by Section 246 and penalty according to Section 298 of the Stock Exchange of Thailand Act B.E. 2535 (1992) (and its amendments).



2. Require directors and executives including their spouses and minor children to disclose/declare ownerships of assets and report any changes in ownerships of the Company's security to the Office of Securities and Exchange Commission according to Section 59 and penalty according Section 275 of the Stock Exchange of Thailand Act B.E. 2535 (1992) (and its amendments) and present a copy of the report to the Company on the same day of submission to to the Office of Securities and Exchange Commission.

### Information on Changes in Securities Holding of Directors and Management of the Company in 2013<sup>1/</sup>

Director/ Management	Previously Held	Acquisition <sup>2/</sup>	Disposal <sup>2/</sup>	Number of Shares as of 31 January 2014 <sup>3/</sup>
1. Mr. Pichai Karnjanarporn	232,610,460	-	132,610,460	100,000,000
2. Mrs. Pratana Mongkolkul	30,000,000	871,000	-	30,871,000
3. Ms. Sunee Seripanu	270,454,940	136,810,460	105,000,000	302,265,400
4. Mr. Virach Seripanu	30,000,000	800,000	-	30,800,000
5. Mr. Somchai Apiwattanaporn	-	-	-	-
6. Mrs. Jamnan Siritan	-	-	-	-
7. Mr. Supasak Chirasavinuprapand	-	-	-	-
8. Ms. Sangkae Hanvanich	533,400	-	-	533,400
9. Ms. Kantima Lerlerttittitham	-	-	-	-
10. Ms. Yupin Luisiri	-	-	-	-
11. Ms. Peyanuch Prepraemvatana	533,400	-	-	533,400

Remark: Number of common shares held by directors and management in the table already includes number of shares held by their spouses and minor children.

<sup>1/</sup> Since the Company was listed in the stock exchange and actively traded for the first time on 4 July 2013, number of shares previously held is also based on that day.

<sup>2/</sup> Acquisition and disposal of common shares held by directors and management data was from the period of 4 July 2013 to 31 January 2014.

<sup>3/</sup> Based on number of shares held by directors and management from the most recent register book closing date on 31 January 2014 to be in line with information disclosure regarding majority shareholders.

3. Directors, executives, employees and workers of the Company and its subsidiaries who obtained inside information that can influence the Company's stock price must be prudent in acting on those information in relation to the sales and purchase of the Company shares particularly during one month before the release of the official financial statement or any other inside information which is expected to be made public and within twenty four hours after the release of those information to the public, the individual who obtain insider information must not act on those information until they have been provided to the Stock

Exchange of Thailand. Any person who did not comply will be in violation of the Company's rule and appropriate disciplinary measures will be taken including verbal warning, official warning letter, suspension or termination of employment.

4. Directors, management, regular employees of the Company are not allowed to act on inside information which can influence Company's stock price including direct purchase or sales of stock or induce others to do so in any manner regardless of who is the beneficiary of the transactions.

### Section 3: Roles of Stakeholders

The Company recognizes the importance of all stakeholders and will do its best to serve all parties.

#### Shareholders

The Company is determined to protect shareholder's interest in managing long term equity value of the company with consistent return and maintain integrity and transparency.

#### Employees

Human resource is a crucial element for success of the Company, hence, we have nurtured a culture and supporting environment which encourage team work and while respecting individuality. The Company treats employment, appointment and transfer on a fair basis in order to maximize the use of human resource for the best interests of the Company. Furthermore, the Company takes health and safety in the workplace very seriously and ensures that all business units comply strictly with the labor law.

Furthermore, the Company respects employees' privacy in that it will not share information such as salary, medical record and family history to any irrelevant person unless required by law.

#### Customers

With its quality products at competitive pricing, the Company aim to achieving highest level of satisfaction and confidence from its customers.

- Products and services: the Company aims to continuously improve its standards and declare to its customers of any development or change in products and services in an accurate, complete and honest manner.
- Directors, executives, employees and workers will not share customer's information without prior approval from the customer or authorized person unless required by law.

### Business Partners and/or Creditors or Debtors

In conducting business, the Company believes in long term value of good reputation which is built on the foundation of mutual partnerships which we believe is a key factor in maximizing values with customers.

The Company stands firm on its commitments to its creditors and will honor its obligations of repayment of principals, interests and others.

### Competitors

The Company encourages free markets with fairness and is against obtaining unfair advantage which is in conflict with the laws and ethical standards.

### Community

As a Thai Company, we are accountable to our community in which we benefit from and support the development of the local communities in which the Company conducts business activities. The Company supports environmentally responsible products and services and act according to the relevant environmental law.

The Company supports activities that encourage preservation of nature and conservation of energy and actively engages in supporting environmentally responsible products. Moreover, stakeholders may seek more information, file complaints or report suspicious dealings, correctness of financial statements, erroneous internal control or unethical business conduct via independent directors or Audit Committee. The complaints and reports will be protected and kept confidential. The directors or member of the Audit Committee will take charges in investigating, proposing actions to rectify and report to the Board of Directors as necessary.

Moreover, stakeholders can inquire details, file complaints and report any misconduct, illegal behavior, inaccuracy of financial reports, internal control problems or unethical behavior of the Company through independent directors or members of audit committee. Complaints and reports will be protected and kept confidential. Independent directors or member of audit committee will take actions in finding facts and solutions (if any) and reporting to the Board of Directors. Channels in reporting and filing complaints are listed below:

- E-mail: [auditcommittee@mcgroupnet.com](mailto:auditcommittee@mcgroupnet.com)
- Postal mail: Chairman of Audit Committee or Internal Audit Manager  
MC GROUP Plc.  
448, 450 On Nut Road, Prawet Sub-district, Prawet District, Bangkok 10250  
Tel. +66 (0) 2329-1051-6 Fax +66 (0) 2727-7287

## Section 4: Information Disclosure and Transparency

The Company recognized the importance of disclosure of accurate, transparent corporate information in a timely matter and has adopted the standard provided by the Stock Exchange of Thailand or the Securities and Exchange Commission including financial reporting and other information disclosure that can influence the Company's stock price, decision of investors and other stakeholders. All relevant individuals are treated fairly in terms of information



dissemination whereby the Company will release the information through the Stock Exchange of Thailand and via the Company website at [www.mcgroupnet.com](http://www.mcgroupnet.com).

The Board of Directors recognized the responsibilities to prepare the consolidated financial statement including reporting financial performance to shareholder at the Annual General Shareholder Meeting and maintain quality of financial reporting to be in line with the Generally Accepted Accounting Principles with review from reputable Auditor and have flexibility in applying accounting standards. Directors also manage consolidated financial performance in terms of correctness and completeness.

Furthermore, the Board of Directors has appointed the Audit Committee to review and audit financial reports for completeness and transparency as specified by the guidelines for the Listed Company and ensure adequate internal control and reporting in relation to conflict of interests, appropriateness and reasonableness before presenting to the Board of Directors for consideration and approval.

Regarding investor relations function, the Company established investor relations department to be responsible for communications of relevant information to institutional investors, shareholders, securities analysts, media and general public. Investor relations department shall report its performance related to investor relations to the Board meeting on a quarterly basis. Nevertheless, any information disclosure related to the Company's performance to shareholders, investors and securities analysts must concern proper silence period in compliance with good corporate governance principle and guidelines as well as transparency and equitable treatment. For this year, investor relations functions and activities include:

1. 32 company visits from investors or analysts or through conference calls (Note: number of visits from investors or analysts are based on actual visits as counted by company)
2. 24 investor conferences both locally and in foreign countries.
  - Investor Conference in Thailand 4 times
  - Investor Conference in Foreign Countries 3 times
  - Non Deal Road Show in Foreign Countries 5 times
  - Road Show in Thailand 12 times
3. Opportunity Day (Listed companies meet investors) as hosted quarterly by the Stock Exchange of Thailand.
4. 1 store visit for investors and analysts

In order to ensure efficient communications between the Company and shareholders/investors, investor relations department can be reached at:

Contact person: Ms. Kheminee Kiatsumphan  
Address: MC GROUP Plc.  
448, 450 On Nut Road, Prawet Sub-district, Prawet District, Bangkok 10250  
Telephone: +66 (0) 2329-1051-6 Extension 1118  
Fax: +66 (0) 2727-7287  
E-mail: [ir@mcgroupnet.com](mailto:ir@mcgroupnet.com)

## Section 5: Responsibility of Board of Directors

### 1. Structure of the Board

The Board of Directors comprises individuals with knowledge, expertise and experience in the conducting the business and is able to provide recommendations on matters relating to management of the Company such as policies, vision, strategies, targets, duties, business plans, budgets and management appraisal. This is to ensure that the management is able to effectively conduct its business within the scope of the law, objectives, and resolution of shareholders with integrity, prudence in order to maximize shareholder value.

The Board of Directors consisted of 7 directors and 3 independent directors who are qualified as members according to the announcements of Capital Market Supervisory Board and the Stock Exchange of Thailand.

Directors shall not hold the same position for more than 5 listed companies. In event that the director holds the same position for more than 5 listed companies, the Board of Directors will evaluate the effectiveness of his or her capacity in order to maintain his or her role for the Company.

The Board of Director shall have specified terms of services according to the Company's rules and procedures. At each Annual General Meeting of Shareholders, one-third of the directors - or the number nearest to one-third if the number is not a multiple of three - must retire from office.

The Chairman of the Board of Directors shall not undertake the Chief Executive office (CEO) role in order to maintain balance and control and facilitate in effective management assessment. The Company has stipulated roles and responsibilities of the Chairman and the CEO and maintained clear distinction of duties.

The company has appointed the Corporate Secretary with stipulated roles and responsibilities as required by the Stock Exchange Act B.E. 2551 (2008). Corporate Secretary is responsible for ensuring that the Company and the Board of Directors comply with related laws and regulations as well as being a contact person for internal and external parties. Details of the roles and responsibilities of the Corporate Secretary are summarized in the enclosure 1.

### 2. Roles and Responsibility of Directors

The roles and responsibilities of the Board of Directors are to conduct business as approved by shareholders and according to the laws and resolutions of the Shareholders and Board of Directors Meetings. However, the Board of Directors must exercise judgments in business decision making and act prudently and with integrity to for the best interests of the Company.

#### Corporate Governance Policies

The Company has written policies on its business conduct in which the Board of Directors reviews and monitor annually. After the Company is listed in the Stock Exchange, the Company shall uphold the rules and regulations set by the Capital Market Supervisory Board, the Securities and Exchange Commission and the Stock Exchange of Thailand and will report its business activities in its annual report and 56-1 form.

### Business Ethics

The Company (the Board of Directors, Executives and employees) shall uphold the highest standard of ethics such as protecting of Company's private information, performing assigned duties with honesty and respect to the laws, honoring other rights, and protecting the assets of the Company and the environment.

### Conflict of Interests

The Board of Directors has set policy to mitigate conflict of interests in order for the business to focus only on maximizing the Company's value in which any person who appears to be benefiting on another's disadvantages will be assessed and those who are involved in the potential conflict of interest will have no involvement in the consideration in approving any business dealings.

Any transactions that result in conflict of interests relating to trade conditions not conforming general practices, must be presented to the Board of Directors for considerations and approvals. The Board of Directors shall review appropriateness carefully before bringing the matter to be discussed at the Board meeting and/or shareholder meeting (on case by case basis). The Company must always act according to the rules and regulations set by the Capital Market Supervisory Board, the Securities and Exchanges Commission and/or the Stock Exchange of Thailand (whichever applicable).

### Internal Control and Internal Audit

The Board of Directors has established internal control in various business aspects to facilitate the Company in meeting its goals within the frameworks and has set up an audit mechanism to protect the capital of shareholders and asset of the Company. The Board has also set approving authorities and outline responsibilities of executives and employees clearly in writing. Internal control department was formed to examine and monitor all business units' operations to comply with rules and regulations. The Audit Committee role is to continuously monitor business dealings to ensure effectiveness of internal control and credible financial reporting system. The Audit Committee is also responsible for reporting the audit results and review internal control of the Company.

### Report of the Board of Directors

The Audit Committee shall review financial reports and present the financial reports to the Board of Directors every quarter. The Board of Directors is accountable for the financial statements of the Company and must ensure the preparation of the financial report is in compliance with the GAAP (Thai) and reviewed by the qualified auditors. The Board shall also choose appropriate policies and practices in the financial accounting and maintain standards in disclosing information in both the main financial statements and the footnotes to the financial statements.



### 3. Board of Directors Meeting

The Company stipulated that the Board conduct meetings at least once every quarter with additional meeting as necessary and send out meeting notice to the Board members to review 7 days prior to the scheduled meeting date except in any urgent matter that may significantly impacts the Company. Each meeting will have clear agenda with supporting documents, which are comprehensive and submitted to the Board in advance. During the meeting, each director shall be allocated sufficient time for discussion and allowed to freely expressing their opinions. Pertinent executives of the Company shall be invited to attend the meeting to provide related information and to directly acknowledge related policies.

The Company shall ensure that the Board receives adequate information in a timely manner prior to the scheduled meeting. However, the Board may contact the Corporate Secretary to provide consultation on the matter or for any additional information.

### 4. Development Programs for Directors and Executives of the Company

The Board of Director encourages and facilitates trainings and other programs related to good corporate governance of the Company for applicable persons such as directors, members of the Audit Committee, executives to equip them with adequate knowledge and understandings regarding good corporate governance, rules and regulations as well as roles and responsibilities of directors. The purpose is to guarantee efficient and ethical management of the Company. The Company enrolled its directors in related seminars/programs organized by Thai Institute of Directors (IOD) and other institutions. For 2013, the Company's directors participated in the following seminars/programs:

- 1) Director Certification Program (DCP), Class 172/2013: Ms. Sunee Seripanu
- 2) Director Certification Program (DCP), Class 180/2013: Ms. Jamnan Siritan.

At present, with regard to directors' enrollment in related seminars/programs, 5 directors of the Company completed Director Accreditation Program (DAP) and 5 directors of the Company completed Director Certification Program (DCP), out of a total of 7 directors. In addition, all directors are the member of IOD and have access to useful information and knowledge provided by the institution. When there are relevant programs and documents, the Company will notify the directors and send them information for their reviews.

Once there is any change in directors, the Corporate Secretary shall prepare documents that will be useful to the new director including provisions of the overview of the business, business model and corporate governance.

## Subcommittees

The Company shall, from time to time, set up additional subcommittees as deemed appropriate with specific objectives to assess certain aspects of business more effectively. This will be approved by the Board of Directors. The subcommittee will report the progress and achievements to the Board of Directors in the specified period. Additionally, the Board of Directors will appointed Corporate Secretary as required by the Stock Exchange Act B.E. 2551 (2008).

Currently, the structure of directors consists of the Board of Directors who supervises the business and 4 subcommittees responsible of specific matters which are Audit Committee, Executive Committee, Risk Management Committee and Nomination and Remuneration Committee. More information regarding each committee is outlined as follows.

### The Board of Directors

As of 31 December 2013, the Board of Directors consisted of 7 members - 3 executive directors and 4 non-executive directors as summarized below.

Name	Title/ Position
1. Mr. Pichai Karnjanarporn	Chairman of the Board of Directors
2. Mrs. Pratana Mongkolkul	Director/ Chairperson of the Executive Committee
3. Ms. Sunee Seripanu	Director/ Chief Executive Officer
4. Mr. Virach Seripanu	Director/ Chief Operating Officer
5. Mr. Somchai Apiwattanaporn	Director/ Independent Director/ Chairman of the Audit Committee
6. Mrs. Jamnan Siritan	Director/ Independent Director/ Member of the Audit Committee
7. Mr. Supasak Chirasavinupand	Director/ Independent Director/ Member of the Audit Committee

The Board of Directors appointed Mrs. Songvilai Jiraphothong as Corporate Secretary.

### Roles and Responsibilities of the Board of Directors

1. Supervise the business so that it is in accordance with the applicable laws, business objectives, company's rules and regulations, resolutions of the Board of Directors and the shareholders meeting with accountability, prudence, and integrity.
2. Review and approve the Company's vision, mission, business strategies, business directions, business policies, goals and targets, business models, business plans and budgets of the Company and its subsidiaries as proposed by the Executive Committee and management team.
3. Oversee administration, management and performance of Executive Committee (Chairperson of the Executive Committee/ CEO), management team or any person with the same responsibilities to ensure the compliance with policies and procedures that the Board of Directors has set.
4. Continuously monitor business performance of the Company to be in accordance with business plans and budgets.
5. Ensure that appropriate and effective accounting systems are in place as well as internal control and internal audit systems for both the Company and its subsidiaries.
6. Ensure the timely submissions of financial statements at the end of accounting year as well as sign off and propose the financial statements to the Annual General Meeting of Shareholders for approval.
7. Review the selection and appointment of auditors and appropriate compensations as proposed by the Audit Committee before presenting to the Annual General Meeting of Shareholders for approval.

8. Ensure that official written corporate governance policies are in place and monitor the successful executions of those policies in order to make sure that the Company is accountable for all stakeholders in an equitable manner.
9. Review and approve the appointment of qualified or non-qualified persons under the Public Limited Company Act B.E. 2535 (1992) (including its amendments), the Securities and Exchange Act B.E. 2535 (1992) (and its amendments) and announcements, rules and regulations that are related to the appointment of new directors in the case that the position is vacant due to other causes apart from the official resignation. The Board of Directors is also responsible for approving the compensations and remunerations of the directors as proposed by the Nomination and Remuneration Committee.
10. Appoint other subcommittees such as Audit Committee, Executive Committee, Nomination and Remuneration Committee, Risk Management Committee, or any other subcommittees and specify scopes of authorities and responsibilities of those subcommittees to assist them in successfully performing their designated duties.
11. Determine and revise list of directors authorized to sign off on behalf of the Company.
12. Review and appoint executives as defined by the Securities and Exchange Commission or the Capital Market Supervisory Board and the Corporate Secretary as well as determine their remunerations.
13. Seek professional opinions from other organizations to make proper decisions when necessary.
14. Encourage directors and management team to participate in seminar curriculum relating to their roles and responsibilities as provided by Thai Institutes of Directors.

### Audit Committee

The Company has appointed the Audit Committee which consists of 3 independent directors. Each member is fully qualified according to the requirements stipulated by the Securities and Exchange Commission and the Capital Market Supervisory Board. As of 31 December, 2013, there are 3 independent directors as follows:

Name	Title/ Position
1. Mr. Somchai Apiwattanaporn	Chairperson of the Audit Committee
2. Mrs. Jamnan Siritan	Audit Committee Member
3. Mr. Supasak Chirasavinuprapand	Audit Committee Member

Mr. Somchai Apiwattanaporn, the Chairperson, has adequate knowledge and experience in accounting to audit the credibility of the financial statements.

The appointed Secretary to the Audit Committee is Mrs. Songvilai Jiraphothong.



### Qualifications of Member of the Audit Committee

1. Holding not more than 1 percent of the Company's shares with voting rights, or that of any subsidiary, affiliated company, major shareholder or controlling person of the Company, which shall be inclusive of the shares held by any related person of such an independent director.
2. Neither being nor having been an executive director, an employee, a staff member, an adviser who receives a regular salary, or a controlling person of the Company, subsidiary, affiliated company at the same level, major shareholder or controlling person of the Company unless the status has ceased for more than 2 years.
3. Not being a person related by blood or registration under law, such as father, mother, spouse, sibling, or child, including the spouse of the child, of other director, any executive, major shareholder, controlling person or person to be nominated as a director, an executive or a controlling person of the Company or subsidiary company.
4. Neither holding nor having held a business relationship with the Company, subsidiary, affiliated company, majority or controlling shareholder in a manner which may interfere with his/her independent judgment, and neither being nor having been a majority or controlling shareholder or any person having a business relationship with the Company, subsidiary, affiliated company, majority or controlling shareholder unless the relationship has ceased for more than 2 years.
5. Neither being nor having been an auditor of the Company, subsidiary, affiliated company, majority or controlling shareholder, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, subsidiary, affiliated company, major shareholder or controlling person unless the relationship has ceased for more than 2 years.
6. Neither being nor having been any professional adviser including legal adviser or financial adviser who receives an annual service fee exceeding Baht 2 million from the Company, subsidiary, affiliated company, major shareholder or controlling person, and not being a substantial shareholder, controlling person, or partner of the professional adviser, unless the foregoing relationship has ended for more than 2 years.
7. Not being a director who has been appointed a representative of the Company's director, major shareholder, or shareholder related to the major shareholder.
8. Not undertaking any business of the nature which is the same as that of the Company or subsidiary company and which, in any material respect, compete with business of the Company or subsidiary company or not being a substantial partner in the partnership, a director who is involved in management, an employee, a staff member, an adviser who receives a regular salary, or a shareholder holding more than 1 percent of shares with voting rights of a company undertaking any business the nature of which is the same as that of the Company or subsidiary and which, in any material respect, compete with business of the Company or subsidiary.
9. Not having any characteristics that prohibit the expression of independent opinion towards the Company's business undertakings.
10. Neither being a director whom the Board of Directors has delegated to make decisions on behalf of the Company, subsidiary, affiliated company, major shareholder or controlling person and neither being a director of other public companies, either parental company, subsidiary, affiliated company.
11. Undertake the roles and responsibilities specified in the announcements from the Stock Exchange of Thailand pertaining the qualifications and scope of responsibilities of the Audit Committee.
12. Have sufficient knowledge and experience to perform the duties as a member of Audit Committee.

### Roles and Responsibilities of the Audit Committee

1. Review and audit financial statements on a regular basis in compliance with accounting standards, laws and standards.
2. Review and ensure the effectiveness and appropriateness of the internal control system and internal audit system and review the independence of internal audit function and concur in the appointment, transfer and dismissal of the Internal Audit head or other functions responsible for internal audit.
3. Review the Company's operations so they are in compliance with the laws related to securities and exchange, the Stock Exchange of Thailand regulations and other applicable laws governing the Company's business undertakings.
4. Review, select and nominate independent person to be the Company's auditors and propose their compensations as well as participate in meetings with auditors without the presence of management team at least once a year.
5. Evaluate related party transactions, or transactions with possible conflict of interest in relation to compliance with the laws and regulatory requirements of the Stock Exchange in order to ensure reasonableness of those transactions and the best interests of the Company.
6. Review the effectiveness and appropriateness of risk management processes.
7. Review and propose any amendments to scopes of authority, roles and responsibilities of the Audit Committee according to changing circumstances.
8. Inspect and propose appropriate actions to related parties under the roles and responsibilities of the Audit Committee and may hire experts on specific fields to assist in auditing activities and other related functions.
9. Prepare the annual Audit Committee Report and disclose in the Company's annual report signed by the Chairman of the Audit Committee. The report must consist of the following information:
  - 1) Opinions regarding accuracy, completeness and credibility of the financial statements.
  - 2) Opinions regarding adequacy of internal control system of the Company.
  - 3) Opinions regarding compliance to laws and regulations pertaining securities and exchange or other applicable laws governing the Company's business.
  - 4) Opinions regarding eligibility of the auditor.
  - 5) Opinions regarding transactions with possibility of conflict of interests.
  - 6) Number of meetings conducted by the Audit Committee and the attendance of each director.
  - 7) Opinions or overall observations regarding the Audit Committee's duties as specified in the Audit Committee's Charter.
  - 8) Other information that shareholders or investors should be informed of under the Audit Committee's duties as assigned by the Board of Directors.
10. Report the Board of Directors of any suspicion on the following transactions or actions that may significantly impact financial position and performance of the Company to ensure timely responses as advised by the Audit Committee:
  - 1) Transactions with potential conflict of interests.
  - 2) Corruption, abnormality or any significant flaw of the internal control system.
  - 3) Violation of laws pertaining securities and exchanges, Stock Exchange's principles or applicable laws governing the Company's business.

In case that the Board of Directors or executives fails to take appropriate actions in timely manner, one of the members of the Audit Committee may report that transaction or action with potential conflict of interests to the Office of Securities and Exchange Commission or the Stock Exchange.

11. Perform any duties as assigned by the Board of Directors and agreed by the Audit Committee.

### Term of Office

The Audit Committee shall report directly to the Board of Directors and the member shall hold office for a term of 3 years from the appointed date. The retiring member of the Audit Committee may be re-appointed.

### Executive Committee

The Board of Directors shall appoint a number of Directors as deemed appropriate to become members of the Executive Committee supervising the Company's business as assigned by the Board of Directors. Out of these members, one shall be appointed Chairperson of the Executive Committee.

As of 31 December 2013, the Executive Committee comprises of 3 members, namely:

Name	Title/ Position
1. Mrs. Pratana Mongkolkul	Chairperson of the Executive Committee
2. Ms. Suneer Seripanu	Executive Committee Member
3. Mr. Virach Seripanu	Executive Committee Member

### Roles and Responsibilities of the Executive Committee

1. Formulate overall policies, strategies and management structures in order to undertake the Company's business properly under economic environment and competition facing the business and propose to the Board of Directors for approval.
2. Approve business plans, budgets and scopes and levels of authorities of the Company and propose to the Board of Directors for approval.
3. Examine and monitor performance of the Company so it is in accordance with the approved policies and business plans and undertaken with efficiency and effectiveness.
4. Review and approve any contract and transaction entering related to usual business operations (i.e. trading, investments, joint ventures in order to carry normal business transactions and to achieve the business' objectives) within the limit of Baht 50,000,000 (fifty million) or equivalent per transaction.
5. Review and approve borrowings, credit/loan applications from financial institutions including lending, pledge, mortgage or being a guarantor by the Company or its subsidiaries under the limit of Baht 50,000,000 (fifty million) or equivalent per transaction.
6. Review and approve the Company's projects and initiatives and report to the Board of Directors of projects' progress.
7. Manage overall risk of the Company, evaluate risks and design risk management structure of the Company.



8. Authorize a person or a group of persons to undertake specific duties under the monitoring of the Executive Committee or delegate person or group of persons with authorities as deemed appropriate and within the time period agreed by the Executive Committee. The Executive Committee shall cancel, revoke, change or withdraw that authorized person or that authorization as deemed appropriate.
9. Review and approve contacts, affairs and register with government agencies on behalf of the Company to achieve business' objectives of the Company.
10. Review and approve salary adjustments, annual bonus and other compensations and benefits for the employees (except Executive Committee members).
11. Undertake any duties or tasks assigned by the Board of Directors.

### Risk Management Committee

As of 31 December 2013, Risk Management Committee comprises 3 members as follows:

Name	Title/ Position
1. Mr. Somchai Apiwattanapron	Chairperson of the Risk Management Committee
2. Mrs. Jamnan Siritan	Risk Management Committee Member
3. Mr. Supasak Chirasavinuprapand	Risk Management Committee Member

Mrs. Songvilai Jiraphothong was appointed as the Secretary to the Risk Management Committee.

### Roles and Responsibilities of the Risk Management Committee

1. Formulate policies related to risk management covering all different kinds of risks in undertaking and managing business of the Company.
2. Review and approve risk management plans.
3. Ensure that necessary risk management team is in place and support risk management team on its manpower, budget and other resources necessary to undertake their duties within their scope of responsibilities.
4. Monitor and follow up all risk management activities from risk identification and evaluation, risk analysis, to evaluation of risk management and ensure systematic risk management monitoring and reporting.
5. Encourage and support the Company to have proper risk management processes in all business units including continuously assess risk management activities.
6. Report the Board of Directors of significant risks and risk management activities on a regular basis.

### Term of Office

The Risk Management Committee shall report directly to the Board of Directors and the member of the Risk Management Committee shall hold office for a term of 3 years from the appointment date. The retiring member can also be re-appointed.

### Nomination and Remuneration Committee

As of 31 December 2013, Nomination and Remuneration Committee consists of 3 members as appointed by the Board of Directors, namely:

Name	Title/ Position
1. Mr. Somchai Apiwattanaporn	Chairperson of the Nomination and Remuneration Committee
2. Mr. Supasak Chirasavinuprapand	Nomination and Remuneration Committee Member
3. Mr. Virach Seripanu	Nomination and Remuneration Committee Member

Mrs. Songvilai Jiraphothong was appointed as the Secretary to the Nomination and Remuneration Committee.

### Roles and Responsibilities of the Nomination and Remuneration Committee

1. Review and select qualified candidates to be appointed as directors of the Company.
2. Verify backgrounds and other information of selected persons with the considerations of their knowledge, skills, experience and expertise from various professions and ensure that all the qualifications must be in line with applicable laws and the Company's rules or principles.
3. Set procedures, guidelines of selection and provide opinions or suggestions related to selection process.
4. Nominate suitable candidates to be appointed as directors of the Company.
5. Recommend proper adjustments and improvements to Nomination Committee Charter and propose to the Board of Directors for approval.
6. Propose policies and principles related to remunerations of directors and top management.
7. Evaluate the performance of the Company's directors annually.
8. Review and determine remunerations of the Company's directors (with respect to the Company's performance and industry benchmark), other compensations as approved at shareholders meetings and expenditure related to these remunerations in the previous year and propose to the Board of Directors and shareholders meeting for approval respectively.
9. Review and allocate remunerations to the members of the Board of Directors and other subcommittee members individually with respect to their roles and responsibilities within the amounts approved by shareholders.
10. Recommend proper adjustments and improvements to Remuneration Committee Charter and propose to the Board of Directors for approval.
11. Undertake duties as assigned by the Board of Directors.

### Term of Office

The Nomination and Remuneration Committee shall report directly to the Board of Directors and the member of the Nomination and Remuneration Committee shall hold office for a term of 3 years starting from the appointment date. The retiring member can also be re appointed.

## Executives

As of 28 February 2014<sup>1/</sup>, MC GROUP Plc. consists of 7 executives as follows:

Name	Title/ Position
1. Mr. Pichai Karnjanarporn <sup>2/</sup>	Chairman of the Board of Directors
2. Ms. Sunee Seripanu	Chief Executive Officer Chief Marketing Officer (Acting)
3. Mr. Virach Seripanu	Chief Operating Officer
4. Ms. Sangkae Hanvanich <sup>3/</sup>	Deputy Chief Executive Officer Chief Supply Chain Officer (Acting)
5. Ms. Kantima Lerlerttitham	Deputy Chief Operating Officer
6. Ms. Yupin Luisiri	Chief Information Technology Officer
7. Ms. Peyanuch Prepraemvatana	Senior Vice President, Finance and Accounting

Remark: <sup>1/</sup> Since the Company changed the management structure on 17 February 2014, the table shows the information as of 28 February 2014 to ensure the most updated information for the annual report.

<sup>2/</sup> Even though Mr. Pichai Karnjanarporn is holding the Chairman of the Board of Directors position, he participates in day-to-day business operations and management as other executives and is paid monthly salaries. Thus, the Company includes him as one of the executives.

<sup>3/</sup> Ms. Sangkae Hanvanich was appointed the Deputy Chief Executive Officer and acting Chief Supply Chain Officer on 17 February 2014.

## Roles and Responsibilities of the Chief Executive Officer (CEO)

1. Supervise, manage, operate business and perform regular duties required to undertake business for the best interest of the Company and in accordance with the Company's policies, vision, goals, business plans and budgets as designated by the Board of Directors meetings and/or as assigned by the Executive Committee.
2. Manage the Company's business so that it is in line with its mission as defined by the Executive Committee and corresponds to business plans, budgets and related business strategies as designated by the Board of Directors and/or the Executive Committee.
3. Supervise overall finance, marketing, human resources and other functions according to policies and plans as designated by Board of Directors and/or the Executive Committee.
4. Entitled to hire, appoint, transfer, remove or terminate employees and approve wages and compensations in case of employees ranking lower than executive level as well as delegate any person to perform specific duties.
5. Approve rewards, salary adjustments, compensation, special bonus apart from salary and annual bonus under the approval of the Executive Committee.



6. Negotiate and enter contracts, agreements or transactions related to the usual business of the Company (e.g. investments in shop opening, new machines and other asset purchases according to the budget approved by the Board of Directors including procurements and sales etc.). The authorized amount shall comply with the Board's approved authorized levels but within the limit amount of Baht 30,000,000 (thirty million) per transaction.
7. Review and approve borrowings/loans between the Company and its subsidiaries.
8. Issue orders, practices, announcements and records of the Company to ensure that the Company is operating in accordance with its policies and its best interest as well as proper code of conducts of the Company.
9. Perform other duties as assigned by the Board of Directors and/or the Executive Committee and entitled to undertake necessary actions related to those duties.

In any case, the designation of the authorities, duties and responsibilities of the CEO must not allow the authorities to approve actions or transactions that the CEO or other related parties have vested interests or conflicts of interests with the Company and/or its subsidiaries. On that matter, the CEO is not authorized and must propose to the Board of Directors' meetings and/or shareholders' meetings (depending on the case) except the approvals of transactions complying with usual business doings and trade conditions.

## Nomination of Directors and Highest-Ranked Executive

### Directors

According to the Company's rules, at each Annual General Meeting of Shareholders, one-third of the directors- or the number nearest to one-third if the number is not a multiple of three - must retire from office. The directors who have been in office the longest shall retire first. Retiring directors may be re-appointed.

The Board of Directors established the Nomination and Remuneration Committee to select and review qualified candidates nominated to the position of director conforming to regulatory statutes of the Company and agreed by the Board of Directors before proposing to the Shareholders' Meetings for approval.

Nomination of directors must be in line with the following rules:

- A Director may or may not be a shareholder.
- The Company shall appoint not less than 5 directors; not fewer than half of all directors shall reside in the Kingdom of Thailand.

The Company also specified the structure of the Board of Director in conformity with good corporate governance policies i.e. the Board of Directors shall consist of independent directors at least one third of the number of the directors in the Board of Directors.

- **The Board of Directors**

The Nomination and Remuneration Committee is responsible for searching and nominating suitable persons to hold director position. The Nomination and Remuneration Committee must review the qualifications of the candidates with respect to the Company's strategies and in conformity with structure and component of the Board as specified by the Board of Directors. The candidate must be qualified in terms of knowledge and skills, experience, expertise, devotion and must have other qualifications complying with Public Limited Company Act B.E. 2535 (1992) (and its amendments), Securities and Exchange Act B.E. 2535 (1992) (and its amendments), related announcements from the Securities and Exchange Commission and the Capital Market Supervisory Board. In any case, appointment of the directors must be approved Board of Directors meetings and/or shareholders meetings (depending on the case).

- **Audit Committee**

For the selection and nomination of the Audit Committee member, the suitable candidate have good qualifications in conformity with the definition of Independent Directors according to the rules and principles set by the Securities and Exchange Commission and the Stock Exchange.

#### Qualifications of Independent Directors

Number of independent directors must be at least one third of the total number of directors of the Company and not less than three and must have qualifications conforming to these requirements:

1. Holding not more than 1 percent of the Company's shares with voting rights, or that of any subsidiary, affiliated company, major shareholder or controlling person of the Company, which shall be inclusive of the shares held by any related person of such an independent director.
2. Neither being nor having been an executive director, an employee, a staff member, an adviser who receives a regular salary, or a controlling person of the Company, subsidiary company, associated company, subsidiary company at the same level, major shareholder or controlling person of the Company unless the foregoing status has ended for more than 2 years except the case that the independent director used to work for or be an advisor to an government agency who is the majority shareholder or the controlling person of the Company.
3. Not being a person related by blood or registration under law, such as father, mother, spouse, sibling, or child, including the spouse of a child, of other director, any executive, major shareholder, controlling person or person to be nominated as a director, an executive or a controlling person of the Company or subsidiary company.
4. Neither holding nor having held a business relationship with the Company, subsidiary company, associated company, major shareholder or controlling person in a manner which may interfere with his/her independent judgment, and neither being nor having been a substantial shareholder or a controlling person of any person having a business relationship with the Company, subsidiary, affiliated company, major shareholder or controlling person unless the foregoing relationship has ended for more than 2 years.
5. Neither being nor having been an auditor of the Company, subsidiary company, associated company, major shareholder or controlling person, and not being a substantial shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, subsidiary company, associated company, major shareholder or controlling person unless the foregoing relationship has ended for more than 2 years.

6. Neither being nor having been any professional adviser including legal adviser or financial adviser who receives an annual service fee exceeding Baht 2 million from the Company, subsidiary company, associated company, major shareholder or controlling person, and not being a substantial shareholder, controlling person, or partner of the professional adviser, unless the foregoing relationship has ended for more than 2 years.
7. Not being a director who has been appointed as a representative of the Company's director, major shareholder, or shareholder related to the major shareholder.
8. Not undertaking any business the nature of which is the same as that of the Company or subsidiary company and which, in any material respect, compete with business of the Company or subsidiary company or not being a substantial partner in the partnership, a director who is involved in management, an employee, a staff member, an adviser who receives a regular salary, or a shareholder holding more than 1 percent of shares with voting rights of a company undertaking any business the nature of which is the same as that of the Company or subsidiary company and which, in any material respect, compete with business of the Company or subsidiary.
9. Not having any characteristics that prohibit the expression of independent opinion towards the Company's business undertakings.

### Highest-Ranked Executive

To seek and nominate highest-ranked executive or Chief Executive Officer, the Executive Committee will be responsible for preliminary assessment to find a qualified person with relevant knowledge, skills and experience and thorough understanding of the business sufficient to manage the business to attain its objectives and targets as envisioned and set by the Board of Directors. Then, the Executive Committee will nominate the person to the Nomination and Remuneration Committee and the Board of Directors for their approvals.

### Corporate Governance of Subsidiaries

With regard to corporate governance of its subsidiaries, the Company appoints a representative to be a director/ executive in the subsidiaries and associated companies based on the shareholding structure of each company. The appointed person shall be nominated and approved by the Board of Directors and shall possess suitable qualifications and experience to manage that respective subsidiary and associated company.

Moreover, the appointed person shall have adequate qualifications and experience to ensure that the business doing of the subsidiary/associated company is in line with the Company's policies and in accordance with related laws, objectives, rules and consensus from shareholder meetings. The appointed person shall supervise the subsidiary/associated company with honesty and prudence as well as keep shareholders' interests at heart. Besides, the representative shall ensure the completeness and accuracy of the disclosure of financial information and business performance regarding transactions with related parties, acquisition and disposal of assets or any important transaction.



The appointed representative shall monitor the business doing of the subsidiary/associated company closely and present business performance as well as recommendations on business policies to the Board of Directors of the Company and/or the subsidiary/affiliated company in order to achieve highest benefits and sustainable growth of the business.

## Supervision of the Use of Inside Information

The Company has the following policies and procedures to protect against undue uses of inside information that is not yet disclosed to the public for personal benefits as follows:

1. Regularly inform directors and members of the management team about their responsibilities to disclose/declare their ownerships of securities themselves their spouses, minor children to the Office of Securities and Exchange Commission according to Section 59 and penalty according to Section 275 of the Stock Exchange of Thailand Act B.E. 2535 (1992) (and its amendments). Moreover, they must report every change in their holding of those securities, i.e. by any purchase, sale, transfer, or obtaining the transfer of securities and stock futures as required by Section 246 and penalty according to Section 298 of the Stock Exchange of Thailand Act B.E. 2535 (1992) (and its amendments).
2. Require directors and executives including their spouses and minor children to disclose/declare ownerships of assets and report any changes in ownerships of the Company's security to the Office of Securities and Exchange Commission according to Section 59 and penalty according Section 275 of the Stock Exchange of Thailand Act B.E. 2535 (1992) (and its amendments) and present a copy of the report to the Company on the same day of submission to the Office of Securities and Exchange Commission.
3. Directors, executives, employees and workers of the Company and its subsidiaries who obtained inside information that can influence the Company's stock price must be prudent in acting on those information in relation to the sales and purchase of the Company shares particularly during one month before the release of the official financial statement or any other inside information which is expected to be made public and within twenty four hours after the release of those information to the public, the individual who obtain insider information must not act on those information until they have been provided to the Stock Exchange of Thailand. Any person who did not comply will be in violation of the Company's rule and appropriate disciplinary measures will be taken including verbal warning, official warning letter, suspension or termination of employment.
4. Directors, management, regular employees of the Company are not allowed to act on inside information which can influence Company's stock price including direct purchase or sales of stock or induce others to do so in any manner regardless of who is the beneficiary of the transactions.

## Compensation to Auditors

The annual General Shareholder Meeting of 2013 appointed KPMG Phoomchai Audit Ltd. with Mr. Vichien Thamtrakul Reg. No. 3183, and/or Ms. Bongkot Amsageam Reg. No. 3684 and/or Ms. Orawan Sirirattanawong Reg. No. 3757 as auditor of the Company for 2013.

Audit fees that the Company and subsidiaries paid KPMG Phoomchai Audit Ltd. In 2013 was Baht 2,510,000 in total. This can be divided into Baht 1,100,000 audit fee for the Company and Baht 1,410,000 for subsidiaries.

With regard to non-audit fee, the Company made payments to KPMG Phoomchai Audit Business Advisory Co., Ltd. for pro forma financial statements for the periods of 2010 - 2012, 31 March 2012, 30 June 2012, and 30 September 2012. The payments were made during the year in the amount of Baht 1,650,000 and to be settled in the future of Baht 350,000.

Apart from the stated fees, P.K. Garment (Import-Export) Co., Ltd., a subsidiary also paid non-audit fees to KPMG Phoomchai Audit Ltd. for the audit of compliance to promotion certificate conditions for the year ending 31 December 2013 with the amount of Baht 170,000.

## Other Good Corporate Governance Practices

For the past year, the Company has committed to strictly comply with good corporate governance practices for listed companies as guided by the Stock Exchange of Thailand as well as continuously pursue its corporate social responsibility endeavors.



## Report of Audit Committee

### Dear the shareholders of MC GROUP Public Company Limited

The Audit Committee of MC GROUP Public Company Limited as appointed by the Board of Directors in accordance with the Notifications of the Stock Exchange of Thailand and the Securities and Exchange Commission and approved by the Board of Directors, consists of three fully qualified independent directors including:

1. Mr. Somchai Apiwattanaporn, Chairman of the Audit Committee
  2. Mrs. Jamnan Siritan, the Audit Committee Member
  3. Mr. Supasak Chirasavinuprapand, the Audit Committee Member
- And Mrs. Songvilai Jiraphothong, a secretary to the Audit Committee.

In 2013, the Audit Committee performed its duties as assigned by the Board of Directors in accordance with the requirements of the Securities and Exchange Commission and the Stock Exchange of Thailand. The committee held six meetings and the attendance by its members was 100%. The Committee performed its duties as follows:

1. Review the quarterly and annual financial statements of the year 2013 in collaboration with the executives and auditors of the company to give advice and recommendations for correctness and credibility of the financial statements and disclose its financial information which are correct, sufficient and credible in compliance with accounting standards and other relevant regulations.
2. Review of the Company being in compliance with laws and regulations to which the operations of the Company are subjected.
3. Review of the connected transactions or the conflict of interest transactions according to the Notifications of the Stock Exchange of Thailand and the Securities and Exchange Commission: The Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions. The Audit Committee is of the opinion that the aforesaid transactions are fair and for the full benefit of the Company. Besides, the Audit Committee considered the disclosure of financial statements and the performance of the Company every quarter.
4. Review of the Company having proper, adequate and effective internal control systems.
5. Considering the appointment of Mr. Vichien Thamtrakul of KPMG Phoomchai Audit as the auditor of the Company and proposed for shareholders' approval the audit fees for the year 2013. The auditor attended the Audit Committee Meeting and the discussion of internal auditors and external auditors is without management's presence.
6. Review of the independence of Internal Audit Department and giving an opinion of an appointment, transference, rewarding and punishment of the person in charge concerning the audit.
7. Giving an opinion on the auditing plan of the auditor and review the audit opinion, procedures and evaluation of the Company performance.
8. Review of the budget and manpower of the relevant bodies.
9. Review of approval of an amendment to the Audit Committee Charter in the year 2013.
10. Review of amendment to Audit Committee regulations in the year 2013.
11. Review of the performance evaluation in the year 2013 by self-evaluation, and the Board evaluation, of which the performance of the Audit Committee is excellent.

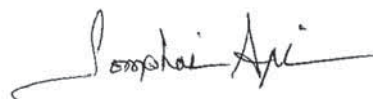


The Audit Committee reported constantly and continuously all minutes to the Board of Directors.

The Audit Committee performed its duties in 2013 with total responsibility which is summarized as follows:

1. The Company has a proper financial reporting process to disclose its financial information, in which the financial statements are correct, sufficient and credible.
2. The Company has proper and adequate internal control systems and there are no significant deficiencies in accordance with conducting businesses of the Company both in the present and in the future and in compliance with relevant laws and regulations.
3. The auditor of the Company, Mr. Vichien Thamtrakul of KPMG Phoomchai Audit, is independent, experienced and credible in auditing the financial statements of the Company and able to duly disclose important sufficient information.
4. The Audit Committee is of the opinion that, according to the connected transactions or the conflict of interest transactions, the Company discloses correct and sufficient information. The aforesaid transactions are fair and were approved by the management or the Board of Directors.

In summary, the Audit Committee completely performed its duties in accordance with the Audit Committee Charter as approved by the Board of Directors of the Company.



**Somchai Apiwattanapron**  
The Chairman of the Audit Committee



## Internal Control and Risk Management

### Directors' Report on Internal Control

At the meeting of the Audit Committee No. 1/2557 on 26 February 2014 with the presence of all 3 members of the Audit Committee, the Audit Committee has reviewed the adequacy and effectiveness of the internal control system of the Company based on the internal control adequacy evaluation form of the Office of Securities and Exchange Commission in 5 components as follows:

1. **Organization and Work Environment:** The Company encouraged good work environment by setting proper management structure suitable with the Company's size and business. The Company must ensure that all units comply with best practices of good corporate governance and written policies and Code of Conduct for employees and management team are in place.
2. **Risk Management:** The Company ensured the sufficiency and effectiveness of its risk management in all business units and processes. Risk analyses, evaluations and monitoring were performed regularly under the guidelines of the Company in order to prepare risk management and mitigation measures necessary to the Company's business.
3. **Supervision of Management Team:** The Company specified scopes of roles, authorities and approval limits of management team at each level in written documents. Roles related to approvals, record keeping and asset management are separated.
4. **Information System and Communication:** The Company recognized the importance of accuracy, credibility and timeliness of information. Hence, continuous development in information system including finance operation and compliance is deemed to be necessary for better decision making.
5. **Monitoring System:** The Company ensured an adequate monitoring system at all levels of operations. Grant Thornton Specialist Advisory Services Co., Ltd. ("Grant Thornton") was appointed as its auditor to work alongside with internal audit department of the Company. The auditor reported the audit result to the Audit Committee quarterly and submitted summarized reports to the Board of Directors for timely corrective actions.

## Audit Committee's Report on Internal Control

The Audit Committee has reviewed the Company on the adequacy and effectiveness as well as continuous improvements of the internal control system focusing on operational evaluations and reported the results to the Board of Directors. The Audit Committee reached to a conclusion that the Company's internal control system is adequate, suitable and in accordance with relevant laws and other corporate governance practices and procedures.

With regard to the auditor's findings, KPMG Phoomchai Audit Ltd. as the Company's external auditor, audited and evaluated the effectiveness of the Company's internal control system and found no significant issues related to the Company's internal control system.

## Head of Internal Control

The Audit Committee appointed Grant Thornton Specialist Advisory Services Co., Ltd. ("Grant Thornton") with Ian Pasco, Managing Partner as internal auditor. The internal auditor has over 15 years of experience in financial advisory services and internal control. The Audit Committee has reviewed the qualifications of the head of internal auditors and agreed that the person is suitable for undertaking the required duties efficiently.

Appointment, removal or transfer of the head of internal control must be approved by the Audit Committee.





## Related Party Transaction

The Company and its subsidiaries agreed to enter transactions with related parties. Those transactions are usual business undertakings of the Company and its subsidiaries under general trade conditions confirming to rules and principles set by Securities and Exchange Act B.E. 2551(2008) (Vol. 4) Section 89/12 (1). The Board of Directors approved in principle on 28 February 2013 to empower management team to execute related party transactions under general trade conditions. The management team can enter into those transactions under the conditions that they have the same terms and conditions as general contract parties will do in same circumstances and without exercising power as a director, management or related person to influence the negotiation.

For the accounting year ending 31 December 2013, the Company has disclosed its related party transactions under announcements of Stock Exchange of Thailand regarding rules, principles, conditions and methods on disclosure of related party transaction of public companies. The details are summarized below:

Related Party	Type of Transactions	Value as of 2013 (Baht million)	Rationale
<b>1. Mr. Pichai Karnjanarporn</b> Relationships: shareholder and director	P.K. Garment (Import-Export) Co., Ltd., a subsidiary, rented lands for commercial billboards in Sing Buri and Ratchaburi.	0.09	The lands were for commercial billboards in order to undertake normal business. Rents were based on prices performed by independent valuers and the Audit Committee deemed that the transactions were fair and reasonable.
<b>2. P.K. Grand Co., Ltd.</b> Relationships: Mr. Pichai Karnjanarporn as a majority shareholder	Mc Jeans Manufacturing Co., Ltd. a subsidiary, rented lands and factory buildings for PK 2.  MC GROUP Plc. rented lands and factory buildings for furniture manufacturing business.	3.71  2.64	The lands and factory buildings were for manufacturing of denim products and furniture to support the expansion of sales network of the group of companies in order to undertake normal business. Rents were based on prices performed by independent valuers and the Audit Committee deemed that the transactions were fair and reasonable.
<b>3. Millennium (1975) Co., Ltd. (previously Mc Co., Ltd.)</b> Relationships: Mr. Pichai Karnjanarporn, Ms. Sunee Seripanu as majority shareholders and directors	MC GROUP Plc. rented land and office building in Si Phraya.	1.80	The lease agreements of lands and sales office were for usual business undertakings. Rents were based on prices performed by independent valuers and the Audit Committee reviewed the transaction and suggested the use of prices from independent professional valuers.

Related Party	Type of Transactions	Value as of 2013 (Baht million)	Rationale
<b>4. P.K. Asset Plus Co., Ltd. (previously Mc Asset Plus Co., Ltd.)</b> Relationships: Mr. Pichai Karnjanarporn as a majority shareholder.	Mc Jeans Manufacturing Co., Ltd., a subsidiary, rented land and factory building for PK3.	7.77	The factory buildings were used for production in order to undertake normal business. Rents are based on prices from independent valuers and the Audit Committee deemed that the transactions were fair and reasonable.
	P.K. Garment (Import-Export) Co., Ltd., a subsidiary rented lands and factory building for PK Bangpakong.	0.43	
<b>5. Unique Garment Import Export Co., Ltd.</b> Relationships: Shareholders and directors as siblings of Mr. Pichai Karnjanarporn.	P.K. Garment (Import-Export) Co., Ltd., a subsidiary, sold accessories to Unique Garment Import Export Co., Ltd.	0.06	P.K. Garment (Import-Export) Co., Ltd. outsourced its production to Unique Garment Import Export Co., Ltd. in case of overcapacity. This resulted in these sales and purchase transactions of raw materials, accessories and finished products. Market prices were charged as other normal businesses and the Audit Committee reviewed that all transactions were fair, reasonable and for the best interests of the Company.
	MC GROUP Plc., purchased finished products from Unique Garment Import Export Co., Ltd.	14.90	
<b>6. Four K Trading (Thailand) Co., Ltd.</b> Relationships: The Majority shareholders as siblings of Mr. Pichai Karnjanarporn.	Mc Jeans Manufacturing Co., Ltd., a subsidiary, sold accessories to Four K Trading (Thailand) Co., Ltd.	0.35	Four K Trading (Thailand) Co., Ltd. was an outsource manufacturer for Mc Jeans Manufacturing Co., Ltd. for some product lines that the Company did not manufacture in house. This resulted in these sales and purchase transactions of raw materials, accessories and finished products. Market prices were charged as other normal businesses and the Audit Committee reviewed that all transactions were fair, reasonable and for the best interests of the Company.
	MC GROUP Plc., purchased finished products from Four K Trading (Thailand) Co., Ltd.	21.41	

Related Party	Type of Transactions	Value as of 2013 (Baht million)	Rationale
<b>7. Sin Chai Hua Industry Co., Ltd.</b> Relationships: Shareholders and directors as siblings of Mr. Pichai Karnjanarporn.	P.K. Garment (Import-Export) Co., Ltd. and Mc Jeans Manufacturing Co., Ltd., subsidiaries, used washing and bleaching services from Sin Chai Hua Industry Co., Ltd.	3.93	Sin Chai Hua Industry Co., Ltd. is long known as a quality washing and bleaching services provider. The Company and its subsidiaries entered washing and bleaching service agreements when there was an overcapacity in its own production. Market prices were charged as other normal businesses and the Audit Committee reviewed that all transactions were fair, reasonable and for the best interests of the Company.
<b>8. S.C. Law Office Co., Ltd.</b> Relationships: Mr. Supasak Chirasavinuprapand as a director.	MC GROUP Plc. used advisory services for its contracts.	0.15	S.C. Law Office Co., Ltd. gave advices related to contract law. Market prices were charged as other normal businesses and the Audit Committee reviewed that all transactions were fair, reasonable and for the best interests of the Company.
<b>9. Panamera Fashion Co., Ltd.</b> Relationships: Mr. Panu Narongchaikul as a shareholder and a director.	Time Deco Corporation Co., Ltd., a subsidiary purchased finished products from Panamera Fashion Co., Ltd.	2.10	Panamera Fashion Co., Ltd. is a fashion product distributor and the purchases were made to extend product offering of MC GROUP as a normal trading transaction of the Company. Market prices were charged as other normal businesses and the Audit Committee reviewed that all transactions were fair, reasonable and for the best interests of the Company.
<b>10. Panapat Co., Ltd.</b> Relationships: Mr. Panu Narongchaikul as a shareholder and a director.	Time Deco Corporation Co., Ltd., a subsidiary rented an office building from Panapat Co., Ltd.	0.59	The lease agreements of office buildings were for usual business undertakings. Market prices were charged for the Rents and the Audit Committee reviewed that all transactions were fair, reasonable and for the best interests of the Company.



Related Party	Type of Transactions	Value as of 2013 (Baht million)	Rationale
<b>11. Time Deco Services Co., Ltd.</b> Relationships: Mr. Panu Narongchaikul and Mr. Vararit Plengvanit as shareholders and directors.	Time Deco Corporation Co., Ltd. a subsidiary used the after-sales service provided by Time Deco Services Co., Ltd.	0.09	Time Deco Services Co., Ltd. provided professional after-sales service to the MC GROUP as a normal trading transaction. Market prices were charged and the Audit Committee reviewed that all transactions were fair, reasonable and for the best interests of the Company.

### Necessity and Reasonableness of Transactions

Related party transactions undertaken between the Company, its subsidiaries and affiliated companies are transactions that support the Company's usual business operations and were approved by the Board of Directors or the Executive Committee under proper approval process and in complete accordance with the rules and procedures of the Company.

### Policies and Trend of Related Party Transactions in the Future

Related party transactions of the Company in the future shall be the same transactions that support usual business operations. None of the transactions shall relocate interests between the Company, its subsidiaries and related persons. Besides, the transfer pricing between the Company, its subsidiaries and related persons shall be in line with the normal pricing given to unrelated companies or persons. All prices for products and raw materials sold and purchased by related parties shall be as agreed in the contracts or based on market prices of those products and raw materials. The Audit Committee, the auditor or the independent expert shall review, audit and provide opinions on the appropriateness of the prices and the reasonableness of the transactions and disclose types and values of respective transactions including rationales behind those transaction in the annual report and present the results at the shareholders meeting.

In addition, the Board of Directors must conform to the laws on Securities and Exchange and any rules, announcement, orders or principles set by the Stock Exchange of Thailand including the disclosure of related party transactions and the acquisitions or sales of important assets of the Company or its subsidiaries under accounting standard set by the Federation of Accounting Professions of Thailand.

In any case, if the related party transaction is involved with related persons or subject to possible conflict of interests in the future, the Audit Committee shall provide opinions regarding the necessity and reasonableness of that transaction. In case that the Audit Committee does not have the expertise to review the transaction, the Company shall ask the opinions from independent experts or the auditor of the Company on the matter. The Company shall disclose related party transactions in the audited footnotes to the financial statements.



## Management's Discussion and Analysis of the Consolidated Financial Statements

For the purpose of analysis, discussion and comparison, MC GROUP constructed financial statements on pro forma basis under new shareholding structure as follow: consolidated financial statements for the period of 3 months 12 months ending 31 December 2013, income statement and cash flow statement for the same period ending 31 December 2013. The pro forma financial statements assumed that P.K. Garment (Import-Export) Co., Ltd., Mc Jeans Manufacturing Co., Ltd., and Winner Man Co., Ltd. were under MC GROUP Plc. (registered on 23 May 2012) during the whole period covered. The organizational restructuring of group of companies was a strategic move aiming to accelerate business growth and support business expansion.

For 2013, sales revenue grew at a rate of 16% to Baht 2,973 million due mainly to the rapid expansion of sales network both domestically and internationally. Compared to the end of 2012, MC GROUP opened a total of 113 more points of sales across Thailand and neighboring countries. Among 113 new points of sales are:

- 102 points of sales in Thailand
  - 56 Free-standing Shops,
  - 46 shops in Modern Trade venues
- 10 point of sales in foreign countries
- 1 mobile unit.

Same store sales growth was negatively affected by the slowdown of domestic consumption during 2013. However, with introduction of new brands and product variety, same store sales growth picked up in the 4<sup>th</sup> quarter and recorded a 3.6% growth resulting in lesser drop in annual same store sales growth at 1.5% compared to 2012.

Considering sales revenue by channel, sales through company-owned Free-standing Shop made up for 38% of the total sales revenue, up from 29% in 2012. This is in line with MC GROUP's strategic plan to emphasize growth through Free-standing Shop given its advantages from speed of expansion that leads to faster market coverage.

For the year of 2013, MC GROUP reported 57% gross profit margin compared to 55% in 2012. Efficiency in cost control from continuous production improvement contributed to this surge in gross profit margin.

EBITDA for 2013 rose at a rate of 13% while EBITDA margin dipped slightly from 30% in 2012 to 29%. Manpower expansion and increase in the number of Free-standing Shop under rapid business growth led to higher proportion of SG&A to sales revenue and thus lowered the EBITDA margin.

With regard to profitability, MC GROUP posted a net profit of Baht 733 million or a 22% rise from 2012 and recorded a jump of net profit margin from 23% in 2012 to 24% in 2013 thanks to efficiency in cost control and interests earned from deposited IPO's proceeds, corporate tax cut and the exemption from corporate income tax due to Board of Investment ("BOI") privilege received by one of its affiliated companies.

## Financial Position Analysis

### • Assets

As of 31 December 2013, MC GROUP held a total asset of Baht 4,624 million compared to Baht 2,013 million as of 31 December 2012. An increase of Baht 2,023 million in total assets was a result of:

1. Proceeds from MC GROUP's Initial Public Offering (IPO) with the net amount of Baht 1,634 million.
2. An increase in inventory of Baht 583 million resulted from the consolidation of Time Deco's financial statements, higher inventory level to support more points of sales and new brands as well as a slowdown in domestic consumption.
3. Goodwill of Baht 108 million from investment in Time Deco.

### • Liabilities

As of 31 December 2013, MC GROUP held a total liability of Baht 951 million, down Baht 683 million from Baht 1,198 million as of 31 December 2012. This is due to Baht 550 million loan payments to financial institutions and a surge in account payables of Baht 153 million following the expansion of business and sales network.

### • Shareholders' Equity

As of 31 December 2013, shareholders' equity of the Company surged Baht 2,885 million to Baht 3,701 million from Baht 816 million as of 31 December 2012. The increase was derived from the capital raised under its IPO and retained earnings of Baht 732 million in 2013. MC GROUP also paid dividend of Baht 861 million to shareholders during the same period, Baht 460 million of which are dividends for 2012 performance paid in 2013.

## Liquidity and Key Financial Ratios

### • Cash Flows

For the year 2013, MC GROUP's cash and equivalents rose Baht 114 million from the following factors:

- 1) Cash flow from operations of Baht 281 million in 2013: cash flow from operations was up considerably from revenue growth resulting in a profit of Baht 733 million and cash profit of Baht 908 million. Most of the cash was used to support the business expansion which led to an increase of in account receivable, account payable and inventory of Baht 20 million, Baht 118 million and Baht 360 million respectively (net off assets and liabilities from investments in affiliated companies). In addition, MC GROUP paid Baht 152 million in taxes and paid another Baht 200 million in accrued dividend to former shareholders of one of the affiliated companies.
- 2) Cash flow from investment activities of Baht 1,676 million: this cash flow was mainly Baht 1,500 million from IPO proceeds held in time deposit account and investment in property plant and equipment of Baht 158 million.
- 3) Cash flow from financing activities of Baht 1,509 million: MC GROUP raised net Baht 2,925 million after direct expenses of Baht 75 million from its IPO. During that period, MC GROUP also distributed Baht 861 million in dividend to shareholders and repaid Baht 442 million of its loans from financial institutions.



## Sources of changes in cash flows of MC GROUP:

(Baht million)	For Year	
	2013	2012 <sup>1/</sup>
Net cash from operations	281	230
Net cash from investing activities	(1,676)	(464)
Net cash from financing activities	1,509	268
Net change in cash and equivalents	114	34

Remark: <sup>1/</sup> Figure from Pro forma financial statement.

- **Financial Ratios**

As of 31 December 2013, MC GROUP's liquidity ratio was at 4.38, rising from 1.90 as of 31 December 2012. A drastic improvement in liquidity ratio was a result of its IPO that doubled its current assets level.

Inventory turnover of MC GROUP stood at 271 days and 161 days for 2013 and 2012 respectively. The higher inventory turnover came from MC GROUP's effort to improve its supply chain management that resulted in better management of inventories in the 4<sup>th</sup> quarter of 2013 compared to the previous quarter.

Due to aforementioned IPO, MC GROUP's assets and liabilities soared significantly. This also led to a drop in return of equity (ROE) from 88.0% in 2012 to 32.43% in 2013 while return on assets (ROA) also slid to 21.98% in 2013 from 34.60% in 2012 despite the fact that MC GROUP enjoyed higher net profit from its business expansion.

## Key Financial Ratios:

Financial Ratios	Unit	31 Dec. 2013	31 Dec. 2012
<b>Liquidity Ratio</b>			
Current Ratio	Times	4.38	1.90
Average Days Receivables	days	83	80
Average Inventory Turnover	days	271	161
Average Days Payable	days	102	103
Cash Cycle	days	252	138
<b>Profitability Ratio</b>			
Gross Profit Margin	%	56.7	55.3
Net Profit Margin	%	24.3	23.4
Return on Equity (ROE)	%	32.5	88.0
<b>Efficiency Ratio</b>			
Return on Assets (ROA)	%	22.10	34.60
<b>Leverage Ratio</b>			
Debt to Equity Ratio	Times	0.26	1.49
Interest Coverage Ratio	Times	15.96	9.39

**Future Outlook**

MC GROUP is determined to expand business under its corporate vision to be the leader in clothing and lifestyle retailing business in Asia. MC GROUP's objective is to reinforce both its existing and new businesses through the following strategies:

- (1) Continuously expand its sales network: MC GROUP aimed to add 100 more points of sales nationwide including mobile units to extend the reach to cover all consumer segments.
- (2) Gain access to and expand ASEAN market: Taking into account each country's unique ways of doing business and associated investment risks, MC GROUP planned to find most suitable business models to tap into ASEAN market. At present, MC GROUP already has a network footprint that covers Myanmar and Laos.
- (3) Extend product offerings: MC GROUP planned to introduce a variety of products with unique features and styles to better serve the needs of consumers with different lifestyles.



## Report of Responsibility of the Board to Financial Reports

The Board of Directors is responsible for the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries as well as the financial information stated in the Company's Annual Report. These financial statements are prepared in accordance with Thai Accounting Standards and generally accepted accounting principles in Thailand. Appropriate accounting policies are chosen and consistently applied, estimates and underlying assumptions are prudently made, and significant information is adequately disclosed in the Notes to the financial statements to ensure that the financial statements are reliable and benefit to shareholders and investors.

The Board of Directors has established and maintained an internal control system in order to provide a reasonable assurance that accounting records are accurate, complete and adequate for protection of assets of the Company, prevention of frauds and materially irregular transactions.

The Audit Committee, whose members are independent directors, was designated by the Board to review the quality of the financial reporting and the effectiveness of internal control system and report the review result to the Board.

In this regard, the Board has the opinion that the overall internal control system of the Company is satisfactorily effective and can provide reasonable assurance of the reliability of the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013.

Handwritten signature of Pichai Karnjanarporn in black ink.

**Pichai Karnjanarporn**

Chairman of the Board of Directors

Handwritten signature of Suneer Seripanu in black ink.

**Suneer Seripanu**

Chief Executive Officer





# Independent Auditor's Report

## Dear the Shareholders of MC GROUP PUBLIC COMPANY LIMITED

I have audited the accompanying consolidated and separate financial statements of MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries (the "Group") and of MC GROUP PUBLIC COMPANY LIMITED (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2013, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated and Separate Financial Statements

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

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

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

### Opinion

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'Vichien Thamtrakul'.

**Vichien Thamtrakul**  
Certified Public Accountant  
Registration No. 3183

KPMG Phoomchai Audit Ltd.  
Bangkok  
26 February 2014

# Statements of Financial Position

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

		Consolidated financial statements		Separate financial statements	
		31 December		31 December	
	Note	2013	2012	2013	2012
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	267,100,834	152,959,109	255,147,962	72,269,317
Short-term investments	9	1,524,486,729	4,765,240	1,524,275,472	-
Trade accounts receivable	10	726,229,218	637,599,472	634,707,028	589,293,814
Other receivables - related parties	7	-	30,309	18,983,346	4,503,861
Short-term loans to related parties	7	-	-	231,736,641	32,947,397
Dividend receivable	37	-	-	265,996,808	499,994,000
Inventories	11	1,362,776,814	779,363,026	1,219,237,361	989,728,834
Other current assets	12	72,683,554	55,123,978	59,151,823	45,588,084
<b>Total current assets</b>		<b>3,953,277,149</b>	<b>1,629,841,134</b>	<b>4,209,236,441</b>	<b>2,234,325,307</b>
<b>Non-current assets</b>					
Investments in subsidiaries	7, 13	-	-	253,795,804	251,996,400
Property, plant and equipment	14	340,162,120	231,876,008	168,831,569	80,903,916
Goodwill	15	107,783,356	-	-	-
Intangible assets	16	10,428,867	4,291,420	6,662,278	4,135,411
Deferred tax assets	17	171,719,984	107,367,305	68,712,783	46,401,025
Other non-current assets	18	68,822,604	39,929,303	49,265,304	18,893,741
<b>Total non-current assets</b>		<b>698,916,931</b>	<b>383,464,036</b>	<b>547,267,738</b>	<b>402,330,493</b>
<b>Total assets</b>		<b>4,652,194,080</b>	<b>2,013,305,170</b>	<b>4,756,504,179</b>	<b>2,636,655,800</b>

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

# Statements of Financial Position

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

		Consolidated financial statements		Separate financial statements	
		31 December		31 December	
	Note	2013	2012	2013	2012
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and					
short-term loans from financial institutions	19	108,212,241	250,000,000	-	-
Trade accounts payable	20	441,204,127	288,033,826	920,292,478	1,243,281,002
Current portion of finance lease liabilities		1,726,085	-	-	-
Short-term loans from related parties	7	19,309,235	-	-	77,000,000
Other payables	21	47,033,491	56,430,888	59,971,015	24,214,294
Income tax payable		91,059,032	107,672,712	35,371,446	62,570,205
Other current liabilities	22	194,133,364	153,703,073	135,321,848	82,951,534
<b>Total current liabilities</b>		<b>902,677,575</b>	<b>855,840,499</b>	<b>1,150,956,787</b>	<b>1,490,017,035</b>
<b>Non-current liabilities</b>					
Finance lease liabilities		3,854,115	-	-	-
Long-term loans from financial institutions	19	-	299,997,000	-	299,997,000
Employee benefit obligations	23	39,203,994	38,948,410	18,812,099	25,145,641
Other non-current liabilities		5,087,897	2,806,000	641,000	-
<b>Total non-current liabilities</b>		<b>48,146,006</b>	<b>341,751,410</b>	<b>19,453,099</b>	<b>325,142,641</b>
<b>Total liabilities</b>		<b>950,823,581</b>	<b>1,197,591,909</b>	<b>1,170,409,886</b>	<b>1,815,159,676</b>

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



# Statements of Financial Position

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

		Consolidated financial statements		Separate financial statements	
		31 December		31 December	
	Note	2013	2012	2013	2012
<b>Liabilities and equity (Continued)</b>					
<b>Equity</b>					
<b>Share capital</b>					
Authorised share capital	24	400,000,000	300,000,000	400,000,000	300,000,000
Issued and paid-up share capital		400,000,000	300,000,000	400,000,000	300,000,000
<b>Additional paid in capital:</b>					
Premium on ordinary shares	24	2,824,925,638	-	2,824,925,638	-
<b>Retained earnings</b>					
Appropriated		-	-	-	-
Legal reserve	25	65,000,000	25,000,000	40,000,000	-
Unappropriated		323,657,077	490,698,698	321,168,655	521,496,124
Equity attributable to owners of the Company		3,613,582,715	815,698,698	3,586,094,293	821,496,124
Non-controlling interests		87,787,784	14,563	-	-
<b>Total equity</b>		<b>3,701,370,499</b>	<b>815,713,261</b>	<b>3,586,094,293</b>	<b>821,496,124</b>
<b>Total liabilities and equity</b>		<b>4,652,194,080</b>	<b>2,013,305,170</b>	<b>4,756,504,179</b>	<b>2,636,655,800</b>

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

# Statements of Comprehensive Income

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

		Consolidated financial statements		Separate financial statements	
		For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December	For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December
	Note	2013	2012	2013	2012
Income	7				
Revenue from sale of goods		2,972,809,420	1,427,043,782	2,899,785,227	900,368,362
Investment income	27	27,442,176	78,086	543,687,173	501,344,584
Other income	28	16,828,008	10,805,408	23,252,490	7,492,077
<b>Total income</b>		<b>3,017,079,604</b>	<b>1,437,927,276</b>	<b>3,466,724,890</b>	<b>1,409,205,023</b>
Expenses	7				
Cost of sale of goods	11	1,288,095,687	645,489,586	1,839,941,474	569,839,308
Selling expenses	29	569,318,118	242,772,045	558,596,879	166,766,968
Administrative expenses	30	332,484,600	160,325,627	303,052,723	129,495,579
Finance costs	33	17,452,984	11,925,982	17,532,596	5,437,281
<b>Total expenses</b>		<b>2,207,351,389</b>	<b>1,060,513,240</b>	<b>2,719,123,672</b>	<b>871,539,136</b>
Profit before income tax expense		809,728,215	377,414,036	747,601,218	537,665,887
Income tax expense	34	(77,270,930)	(59,136,295)	(47,446,412)	(16,169,763)
<b>Profit for the year/period</b>		<b>732,457,285</b>	<b>318,277,741</b>	<b>700,154,806</b>	<b>521,496,124</b>
<b>Total comprehensive income for the year/period</b>		<b>732,457,285</b>	<b>318,277,741</b>	<b>700,154,806</b>	<b>521,496,124</b>
Profit (loss) attributable to					
Owners of the Company		733,440,654	318,260,778	700,154,806	521,496,124
Non-controlling interests		(983,369)	16,963	-	-
<b>Profit for the year/period</b>		<b>732,457,285</b>	<b>318,277,741</b>	<b>700,154,806</b>	<b>521,496,124</b>
Total comprehensive income attributable to:					
Owners of the Company		733,440,654	318,260,778	700,154,806	521,496,124
Non-controlling interests		(983,369)	16,963	-	-
<b>Total comprehensive income for the year/period</b>		<b>732,457,285</b>	<b>318,277,741</b>	<b>700,154,806</b>	<b>521,496,124</b>
Basic earnings per share	35	1.05	0.76	1.00	1.25

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

# Statements of Changes in Equity

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

	Note	Consolidated financial statements				
		Issued and paid-up share capital	Retained earnings		Equity attributable to owners of the Company	Non-controlling interests
			In subsidiaries before a business restructuring	Unappropriated		
						Total equity
For the period 23 May 2012 (Inception date) to 31 December 2012						
Balance at 23 May 2012		1,000,000	-	-	1,000,000	-
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the Company						
Issue of ordinary shares	24	299,000,000	-	-	299,000,000	-
Total contributions by and distributions to owners of the Company		300,000,000	-	-	300,000,000	-
Business restructuring	5	-	172,437,920	-	197,437,920	3,600
Dividend	37	-	(172,437,920)	172,437,920	-	(6,000)
Comprehensive income for the period						
Profit		-	-	318,260,778	318,260,778	16,963
Total comprehensive income for the period		-	-	318,260,778	318,260,778	16,963
Balance at 31 December 2012		300,000,000	-	490,698,698	815,698,698	14,563
						815,713,261

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





# Statements of Changes in Equity

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

114 (in Baht)

	Note	Separate financial statements		
		Issued and paid-up share capital	Retained earnings	Total equity
For the period 23 May 2012 (Inception date) to 31 December 2012				
Balance at 23 May 2012		1,000,000	-	1,000,000
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners of the Company				
Issue of ordinary shares	24	299,000,000	-	299,000,000
Total contributions by and distributions to owners of the Company		300,000,000	-	300,000,000
Comprehensive income for the period				
Profit		-	521,496,124	521,496,124
Total comprehensive income for the period		-	521,496,124	521,496,124
Balance at 31 December 2012		300,000,000	521,496,124	821,496,124

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

# Statements of Changes in Equity

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

	Note	Separate financial statements			
		Issued and paid-up share capital	Share premium	Retained earnings	
				Legal reserve	Unappropriated
For the period ended 31 December 2013					
Balance at 1 January 2013		300,000,000	-	-	521,496,124
821,496,124					
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners of the Company					
Issue of ordinary shares	24	100,000,000	2,824,925,638	-	-
2,924,925,638					
Dividend to owner of the company	37	-	-	-	(860,482,275)
(860,482,275)					
Total contributions by and distributions to owners of the Company		100,000,000	2,824,925,638	-	(860,482,275)
2,064,443,363					
Comprehensive income for the year					
Profit		-	-	-	700,154,806
700,154,806					
Total comprehensive income for the year		-	-	-	700,154,806
700,154,806					
Transfer to legal reserve		-	-	40,000,000	(40,000,000)
-					
Balance at 31 December 2013		400,000,000	2,824,925,638	40,000,000	321,168,655
3,586,094,293					

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

# Statements of Cash Flows

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

	Consolidated financial statements		Separate financial statements	
	For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December	For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December
	2013	2012	2013	2012
Cash flows from operating activities				
Profit for the period	732,457,285	318,277,741	700,154,806	521,496,124
Adjustments for				
Depreciation	86,127,649	27,777,862	33,997,044	5,526,010
Amortization of intangible assets	4,109,305	969,740	2,328,990	525,168
Impairment losses on other intangible assets	1,975,345	4,701,849	2,645,541	4,701,849
Investment income	(27,442,176)	(78,086)	(543,687,173)	(501,344,584)
Employee benefit	11,046,117	3,814,031	5,088,255	1,522,687
Finance cost	17,452,984	11,925,982	17,532,596	5,437,281
Gain from sales of investment	(65,306)	(856,898)	(30,952)	-
Provision for sales return	-	35,562,915	-	35,562,915
Bad and doubtful expense (reversal)	(2,178,956)	488,005	1,461,765	-
Loss on damaged goods from fire	-	383,461	-	-
Provision for inventory obsolescence	8,020,110	46,965,519	7,107,344	42,039,023
(Gain) and loss from sales of property, plant, equipment	(49,022)	(7,163,160)	(88,182)	913
Income tax expense	77,270,930	59,136,295	47,446,412	16,169,763
	908,724,265	501,905,256	273,956,446	131,637,149

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

# Statements of Cash Flows

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

	Consolidated financial statements		Separate financial statements	
	For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December	For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December
	2013	2012	2013	2012
Changes in operating assets and liabilities				
Trade accounts receivable	(19,938,075)	(202,235,024)	(46,874,979)	(601,233,776)
Other receivables - related parties	30,309	(30,309)	(10,446,774)	(4,503,861)
Inventories	(359,693,244)	(59,853,100)	(236,615,872)	(1,031,767,857)
Other current assets	10,100,325	(44,442,409)	11,148,590	(45,588,085)
Other non-current assets	(15,509,131)	(15,333,350)	(30,371,562)	(18,893,740)
Trade accounts payable	118,118,239	(104,960,045)	(322,988,524)	1,243,281,002
Dividend payables of subsidiaries	(200,000,000)	(347,000,000)	-	-
Other payables	(15,896,357)	55,984,538	35,756,722	24,214,294
Other current liabilities	19,739,323	80,141,930	52,551,133	82,770,716
Other non-current liabilities	2,281,895	1,015,000	641,000	-
Employee benefit obligations	(14,823,434)	-	(11,421,797)	-
Cash generator from (used in) operating activities	433,134,115	(134,807,513)	(284,665,617)	(220,084,158)
Income tax paid	(151,554,902)	(67,847,799)	(96,956,929)	(584)
Net cash from (used in) operating activities	281,579,213	(202,655,312)	(381,622,546)	(220,084,742)

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



# Statements of Cash Flows

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

	Consolidated financial statements		Separate financial statements	
	For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December	For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December
Note	2013	2012	2013	2012
Cash flows from investing activities				
Interest received	2,721,647	78,086	2,720,457	1,350,584
Purchase of property, plant and equipment	(157,742,234)	(70,843,137)	(122,074,012)	(86,588,031)
Purchase of intangible assets	(10,173,087)	(4,025,938)	(7,501,399)	(9,362,428)
Sale of property, plant, and equipment and intangible assets	4,364,744	46,452,016	237,497	157,191
Short-term investment	(1,519,656,183)	(3,171,312)	(1,524,244,521)	-
Dividends received	-	-	746,218,869	-
Received from Short-term loans to related parties	-	-	272,476,420	344,549,603
Short-term loans to related parties	-	-	(471,265,663)	(377,497,000)
Net cash inflow on acquisition of business combinations	6 4,353,111	-	-	-
Net cash outflow on acquisition of subsidiaries	5 -	(139,612,811)	-	-
Cash outflow on shares in subsidiaries	-	-	(1,799,404)	(251,996,400)
Net cash used in investing activities	(1,676,132,002)	(171,123,096)	(1,105,231,756)	(379,386,481)

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

# Statements of Cash Flows

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

	Consolidated financial statements		Separate financial statements	
	For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December	For the period ended 31 December	For the period from 23 May 2012 (Inception date) to 31 December
	2013	2012	2013	2012
Cash flows from financing activities				
Interest paid	(17,743,393)	(13,027,908)	(17,713,416)	(5,256,460)
Dividend paid	(860,510,598)	-	(860,482,275)	-
Proceeds from short-term loans from financial institutions	417,115,709	-	405,000,000	-
Repayment of short-term loans from financial institutions	(655,000,000)	(60,000,000)	(405,000,000)	-
Finance lease payments	(296,438)	(232,175)	-	-
Proceeds from short-term loans from related parties	-	-	21,551,596	77,000,000
Repayment of short-term loans from related parties	-	-	(98,551,596)	-
Proceeds from long-term loans from financial institutions	450,000,000	299,997,000	450,000,000	299,997,000
Repayment of long-term loans from financial institutions	(749,997,000)	-	(749,997,000)	-
Proceeds from issue of ordinary shares	2,924,925,638	300,000,600	2,924,925,638	300,000,000
Proceeds from non-controlling interests	200,596	-	-	-
Net cash from financing activities	1,508,694,514	526,737,517	1,669,732,947	671,740,540
Net increase in cash and cash equivalents	114,141,725	152,959,109	182,878,645	72,269,317
Cash and cash equivalents at 1 January	152,959,109	-	72,269,317	-
Cash and cash equivalents at 23 May	-	-	-	-
Cash and cash equivalents at 31 December	267,100,834	152,959,109	255,147,962	72,269,317

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



# Notes to the Financial Statements

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorized for issue by the Board of Directors on 26 February 2014.

## 1. General information

MC GROUP PUBLIC COMPANY LIMITED, the "Company", was incorporated in Thailand and has its registered office at 448, 450, On Nut Road, Prawet Sub-district, Prawet District, Bangkok.

The Company's major shareholders during the financial year were Khun Sunee Seripanu (45.08% shareholding) and Khun Pichai Karnjanarporn (38.77% shareholding).

At the annual general shareholders' meeting of the Company held on 15 March 2013, the shareholders have authorized the change of the company name from Mc Group Limited to MC GROUP PUBLIC COMPANY LIMITED. The Company registered the resolutions with the Ministry of Commerce on 18 March 2013.

The Company was listed on the Stock Exchange of Thailand in July 2013.

The principal business of the Company is the distribution management of clothing and accessories which was mainly carried out by the company's subsidiaries and the manufacturing of products. Details of the Company's subsidiaries as at 31 December 2013 and 31 December 2012 are given in notes 7 and 13 and are as follows:

(%)

Name of entities	Type of business	Country of incorporation	Percentage of ownership interest	
			31 December 2013	31 December 2012
Direct subsidiaries				
P.K. Garment (Import-Export) Co., Ltd.	(1)	Thailand	99.99	99.99
Mc Jeans Manufacturing Co., Ltd.	(1)	Thailand	99.97	99.97
Winner Man Co., Ltd.	(2)	Thailand	99.97	99.97
WoWme Limited	(3)	Thailand	79.97	-
MC INTER LIMITED	(4)	Hong Kong	100.00	-
Look Balance Co., Ltd.	(5)	Thailand	99.97	-
Indirect subsidiary				
Time Deco Corporation Co., Ltd.	(6)	Thailand	51.00	-



### Type of business

- (1) manufacturing of clothing
- (2) staff personnel services to the Group
- (3) distribution of goods and service via online channel
- (4) support for business operation and investment in foreign country
- (5) holdings company
- (6) import and distribution of the world's leading watch brands.

WoWme Limited was established during this period which the Company owns 79.97% of shares.

MC INTER LIMITED was established during this period which was wholly owned by the Company.

Look Balance Co., Ltd. was established during this period in which the Company owns 99.97% of shares.

Look Balance Co., Ltd. acquired 51% of the shares of Time Deco Corporation Co., Ltd.

## 2. Basis of preparation of the financial statements

### (a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions ("FAP"); applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued the following new and revised TFRS relevant to the Group's operations and effective for accounting periods beginning on or after 1 January 2013:

TFRS	Topic
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

The adoption of these new and revised TFRS and has resulted in changes in the Group's accounting policies. The effects of these changes are disclosed in note 3.

In addition to the above new and revised TFRS, the FAP issued a number of other new and revised TFRS which are effective for financial statements beginning on or after 1 January 2014 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Group's operations are disclosed in note 41.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis. Unless otherwise stated.

All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand.

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

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand.

### **(d) Use of estimates and judgements**

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

Information about estimates and underlying assumptions applied in determining the application of policies that had significant effect in the recognition of amounts in the financial statement are included in the following notes:

Note 4 (r)	Current and deferred taxation
Note 6	Acquisitions of subsidiary
Note 23	Employee benefit obligations

## **3. Changes in accounting policies**

### **(a) Overview**

From 1 January 2013, consequent to the adoption of new and revised as set out in note 2, the Group has changed its accounting policies in the following areas:

- Accounting for the effects of changes in foreign exchange rates
- Presentation of information on operating segments

Details of the new accounting policies adopted by the Group are included in notes 3 (b) to 3 (c) below. Other new and revised TFRS did not have any impact on the accounting policies, financial position or performance of the Group.

### **(b) Accounting for the effects of changes in foreign exchange rates**

From 1 January 2013, the Group has adopted TAS 21 (revised 2009) Accounting for the effects of changes in foreign exchange rates.

The principal change introduced by TAS 21 (revised 2009) is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 (revised 2009) requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21 (revised 2009). Foreign currencies are defined by TAS 21 (revised 2009) as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Company is Thai Baht and that the adoption of TAS 21 (revised 2009) from 1 January 2013 has not had a significant impact on the Group's reported assets, liabilities or retained earnings.

#### **(c) Presentation of information on operating segments**

From 1 January 2013, the Group/Company has adopted TFRS 8 Operating Segment. The new policy for presentation of information on operating segments, together with information on the previous policy, is given below. The new policy has been applied retrospectively and segment information included in the Group's/Company's 2013 financial statements for comparative purposes, has been represented accordingly. The change in policy only impacts presentational aspects and has no impact on the Group's/Company's reported assets, liabilities, results, or earnings per share.

TFRS 8 introduces the "management approach" to segment reporting. It requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's/Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resource to those segment. Previously the Group/Company presented segment information in respect of its business and geographical segment in accordance with TAS 14 Segment Reporting.

The change in basis of presentation and disclosure of segment information has had no significant effect on the segment information reported in the Group's/Company's financial statements.

### **4. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policies.

#### **(a) Basis of consolidation**

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group").

##### **Business combinations**

The Group applies the acquisition method for all business combinations other than those with entities under common control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group/Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group/Company to the previous owners of the acquire, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquire that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group/Company and the acquire, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognized in other expenses.

A contingent liability of the acquire is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquire.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.



#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (b) Foreign currencies

#### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency using the foreign exchange rates ruling at the dates of the transactions.

### (c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

### (d) Trade and other accounts receivable

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

### (e) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

An allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.

### (f) Investments

#### Investments in subsidiaries

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method less any impairment losses.

### Disposal of investments

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

## (g) Property, plant and equipment

### Recognition and measurement

#### Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income or expense in profit or loss.

#### Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

#### Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings and factory	20 and 5	years
Leasehold improvements	3	years
Machines and factory equipment	5	years
Fixtures and office equipment	3 and 5	years
Motor vehicles	5	years

No depreciation is provided on land and assets under construction and installation.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### **(h) Intangible assets**

##### **Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 4(a). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

##### **Other intangible assets**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and impairment losses.

##### **Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

##### **Amortization**

Amortization is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Computer program	5 and 10 years
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Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### **(i) Leasehold right**

Leasehold right is stated at cost less accumulated amortization and impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the leased term.

**(j) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

**Calculation of recoverable amount**

The recoverable amount of non-financial assets is the greater of the assets' value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**Reversals of impairment**

Impairment losses recognized in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(k) Interest-bearing liabilities**

Interest-bearing liabilities are recognized initially at cost.

**(l) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

**(m) Employee benefits****Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.



### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or other benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

## (n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

## (o) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade and special discounts.

### Sale of goods and services rendered

Revenue is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognized as services are provided.

### Investments

Revenue from investments comprises dividend and interest income from investments and bank deposits.

### Dividend income

Dividend income is recognized in statement of income on the date the Group's right to receive payments is established.

### Interest income

Interest income is recognized in statement of income as it accrues.

## (p) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

## (q) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of the lease.

### Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

## (r) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **(s) Earnings per share**

The Group/Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

#### (t) Segment reporting

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### 5. Business restructuring

The Company was initially incorporated on 23 May 2012 for the purpose of distributing garments, costumes and other products of the Group.

On 4 July 2012, the Company acquired an equity interest in P.K. Garment (Import-Export) Co., Ltd. ("P.K. Garment") from the major shareholder amounting to 249,997 shares of Baht 1,000 per share for a consideration of Baht 249.99 million. At acquisition date, the subsidiary company had cash and cash equivalents in amount of Baht 110.4 million therefore net cash outflow on acquisition of subsidiary was Baht 139.6 million.

On 4 July 2012, the Company acquired a 99.97% equity interest in Winner Man Co., Ltd. from the major shareholder at a cost of Baht 1 million. The subsidiary commenced operations in June 2012.

On 1 August 2012, the Company established Mc Jeans Manufacturing Co., Ltd., which has an authorised share capital of Baht 1 million. The subsidiary commenced operations in August 2012.

### 6. Acquisitions of subsidiary

#### Acquisition of subsidiary

On 1 November 2013 the Group obtained control of Time Deco Corporation Co., Ltd., an importer and distributor of world's leading watch brand by acquiring 51% of the shares and voting interests in the company. As a result, the Group's equity interest in Time Deco Corporation Co., Ltd. increased to 51%.

Taking control of Time Deco Corporation Co., Ltd. will earn benefit of business expansion and growth of the Group's operations. The acquisition is expected to provide the Group with an increased share of the Jeanswear and watches markets from cross-selling opportunities to both customer bases.

For the two months period ended 31 December 2013, Time Deco Corporation Co., Ltd. contributed revenue of Baht 67 million and profit of Baht 2 million to the Group's results. If the acquisition had occurred on 1 January 2013, management estimates that consolidated revenue would have been Baht 3,342 million and consolidated profit for the year would have been Baht 753 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2013.



The following summarises the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

### Consideration transferred

(in thousand Baht)

	Fair value
Cash	200,000

### Identifiable assets acquired and liabilities assumed

(in thousand Baht)

	Note	Fair value
Cash and cash equivalents		204,353
Trade receivables		43,986
Inventories		231,741
Other current assets		3,581
Property, plant and equipment	16	2,106
Intangible assets	14	40,929
Deferred tax assets	17	44,605
Other non-current assets		13,384
Short-term loan from financial institutions		(96,096)
Trade payables		(41,551)
Current portion of liabilities for financial leases		(879)
Short-term loans from related parties	7	(19,309)
Other current liabilities		(236,377)
Long-term liabilities for financial leases		(5,639)
Employee benefit	23	(4,033)
<b>Total identifiable net assets</b>		<b>180,801</b>

The Group continued review of these matters during the measurement period. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above provisional fair values, or any additional assets or liabilities that existed at the acquisition date, then the acquisition accounting will be revised.

The trade receivables comprise gross contractual amounts due of Baht 47.4 million, of which Baht 3.4 million was expected to be uncollectible at the acquisition date.

## Goodwill

Goodwill was recognized as a result of the acquisition as follows:

(in thousand Baht)

	Fair value
Total consideration transferred	200,000
Non-controlling interests, based on their proportionate interest in the recognized amounts of the asset and liabilities of the acquiree	88,584
Fair value of identifiable net assets	(180,801)
<b>Goodwill</b>	<b>107,783</b>

The goodwill is attributable mainly to the skills and technical talent of work force and the synergies expected to be achieved from integrating the company into the Group's existing clothing and import and distribution of the world's leading watch brands. None of the goodwill recognized is expected to be deductible for income tax purposes.

## 7. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with related parties were as follows:

Name of entities	Country of incorporation/nationality	Nature of relationships
P.K. Garment (Import-Export) Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding, some common directors
Mc Jeans Manufacturing Co., Ltd.	Thailand	Subsidiary, 99.97% shareholding, some common directors
Winner Man Co., Ltd.	Thailand	Subsidiary, 99.97% shareholding, some common directors
WoWme Limited	Thailand	Subsidiary, 79.97% shareholding, some common directors

Name of entities	Country of incorporation/ nationality	Nature of relationships
MC INTER LIMITED	Hong Kong	Subsidiary 100% shareholding
Look Balance Co., Ltd.	Thailand	Subsidiary, 99.97% shareholding, some common directors
Time Deco Corporation Co., Ltd.	Thailand	Indirect subsidiary, 51% shareholding, shareholding and some common directors.
Unique Garment Import Export Co., Ltd.	Thailand	Related party, close family of major shareholder are directors and shareholders
Millenium (1975) Co., Ltd.	Thailand	Related party, major shareholders and some common directors
Sin Chai Hua Industry Co., Ltd.	Thailand	Related party, close family of major shareholder are directors and shareholders
Boutique Consulting Group Co., Ltd.	Thailand	Related party, some common shareholders and directors
P.K. Grand Co., Ltd.	Thailand	Related party, some common shareholders
P.K. Asset Plus Co., Ltd.	Thailand	Related party, some common shareholders
S.S. Challenge Co., Ltd.	Thailand	Related party, some common shareholders
O.T.M. Management Co., Ltd.	Thailand	Related party, some common directors
Panamera Fashion Co., Ltd.	Thailand	Related party, some common directors
Panapat Co., Ltd.	Thailand	Related party, some common directors
Time Deco Services Co., Ltd.	Thailand	Related party, some common directors
S.C. Law Office Co., Ltd.	Thailand	Related party, some common directors
Four K Trading (Thailand) Co., Ltd.	Thailand	Related party, close family of major shareholder are directors and shareholders

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Sales of goods	Contractual price
Rendering of services	Contractual price
Purchase of goods/ raw materials/ services	Contractual price
Interest on loan	Average cost of fund

Significant transactions for the year ended 31 December with related parties was as follows:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
Year ended 31 December	2013	2012	2013	2012
<b>Major Shareholder</b>				
Other expenses	90	170	-	-
Purchase equipment	-	6,200	-	6,200
<b>Subsidiaries</b>				
Sales of goods or rendering of services	-	-	16	-
Purchase of goods or receiving of services	-	-	1,588,509	1,495,998
Other income	-	-	19,877	7,181
Dividend income	-	-	512,222	499,994
Interest income	-	-	4,033	1,292
Staff outsourcing services fees	-	-	253,370	67,563
Other expenses	-	-	14,178	4,726
Interest expense	-	-	1,451	467
Sales property, plant, equipment	-	-	13	156
Purchase property, plant and equipment and software	-	-	560	47,378
<b>Other related parties</b>				
Sales of goods or rendering of services	403	56	-	-
Purchases of goods or receiving of services	42,425	25,773	36,311	10,408
Other expenses	17,088	10,914	4,589	2,974
Other revenues	-	-	1,055	-
Purchase property, plant, equipment and software	-	2,781	-	2,781
Sales property, plant, equipment	-	46,300	-	-
<b>Key management personal</b>				
<b>Key management personnel</b>				
Salary and wages	55,443	21,094	39,485	15,470
Post-employment benefits	2,541	1,347	1,234	1,029
Defined contribution plans	846	527	798	400
Other	1,807	12	562	8
<b>Total key management personnel compensation</b>	<b>60,637</b>	<b>22,980</b>	<b>42,079</b>	<b>16,907</b>



Balances as at 31 December with related parties were as follows:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Trade accounts receivable - related parties</b>				
<b>Subsidiaries</b>				
P.K. Garment (Import-Export) Co., Ltd.	-	-	-	26,360
Mc Jeans Manufacturing Co., Ltd.	-	-	-	3,587
Winner Man Co., Ltd.	-	-	-	2,158
WoWme Limited	-	-	14	-
<b>Other related parties</b>				
Four K Trading (Thailand) Co., Ltd.	433	-	61	-
	433	-	75	32,105
<b>Less allowance for doubtful accounts</b>	-	-	-	-
<b>Net</b>	<b>433</b>	<b>-</b>	<b>75</b>	<b>32,105</b>
<b>Bad and doubtful debts expense for</b>				
- the year ended 31 December 2013	-	-	-	-
- the period from 23 May 2012 (inception date) to 31 December 2012	-	-	-	-
<b>Other accounts receivable - related parties</b>				
<b>Subsidiaries</b>				
P.K. Garment (Import-Export) Co., Ltd.	-	-	607	4,504
Mc Jeans Manufacturing Co., Ltd.	-	-	9,287	-
Winner Man Co., Ltd.	-	-	7,125	-
WoWme Limited	-	-	602	-
Look Balance Co., Ltd.	-	-	1,362	-
<b>Other related parties</b>				
Unique Garment Import Export Co., Ltd.	-	30	-	-
	-	30	18,983	4,504
<b>Less allowance for doubtful accounts</b>	-	-	-	-
<b>Net</b>	<b>-</b>	<b>30</b>	<b>18,983</b>	<b>4,504</b>
<b>Bad and doubtful debts expense for</b>				
- the year ended 31 December 2013	-	-	-	-
- the period from 23 May 2012 (inception date) to 31 December 2012	-	-	-	-

(in thousand Baht)

	Interest rate (% per annum)		Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012	2013	2012
Loans to related parties						
Short-term loans						
Subsidiaries						
Winner Man Co., Ltd.	4.00	4.00	-	-	17,429	32,947
WoWme Limited	4.00	-	-	-	15,108	-
Look Balance Co., Ltd.	4.00	-	-	-	199,200	-
			-	-	231,737	32,947
<i>Less</i> allowance for doubtful accounts			-	-	-	-
Short-term loans to related parties, net			-	-	231,737	32,947
Summary of loans to related parties						
Short-term loans			-	-	231,737	32,947
			-	-	231,737	32,947
<i>Less</i> allowance for doubtful accounts			-	-	-	-
Total loans to related parties, net			-	-	231,737	32,947

Movements during for the year ended 31 December of loans to related parties were as follows:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Loans to related parties				
Short-term loans				
Subsidiaries				
At 1 January	-	-	32,947	-
At 23 May	-	-	-	-
Increase	-	-	471,266	377,497
Decrease	-	-	(272,476)	(344,550)
At 31 December 2013	-	-	231,737	32,947
Dividend receivable				
Subsidiaries				
P.K. Garment (Import-Export) Co., Ltd.	-	-	265,997	499,994
	-	-	265,997	499,994
Investments in subsidiaries	-	-	253,796	251,996
Other non-current assets				
Other related parties				
P.K. Asset Plus Co., Ltd.	-	683	-	-
P.K. Grand Co., Ltd.	-	309	-	-
Total	-	992	-	-

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Trade accounts payable - related parties				
Subsidiaries				
P.K. Garment (Import-Export) Co., Ltd.	-	-	703,558	1,053,287
Mc Jeans Manufacturing Co., Ltd.	-	-	66,376	66,594
Winner Man Co., Ltd.	-	-	-	29,891
Other related parties				
Unique Garment Import-Export Co., Ltd.	-	9,308	-	9,212
Sin Chai Hua Industry Co., Ltd.	520	1,932	-	-
O.T.M. Management Co., Ltd.	7,245	-	-	-
Panamera Fashion Co., Ltd.	2,873	-	-	-
Four K Trading (Thailand) Co., Ltd.	17,689	-	17,673	-
<b>Total</b>	<b>28,327</b>	<b>11,240</b>	<b>787,607</b>	<b>1,158,984</b>
Other accounts payable - related parties				
Major Shareholder	-	117	-	117
Subsidiaries				
P.K. Garment (Import-Export) Co., Ltd.	-	-	5,408	289
Mc Jeans Manufacturing Co., Ltd.	-	-	1,751	500
Winner Man Co., Ltd.	-	-	24,304	-
WoWme Limited	-	-	560	-
Other related parties				
Directors	142	86	142	86
Boutique Consulting Group Co., Ltd.	-	520	-	520
P.K. Grand Co., Ltd.	3,032	-	2,604	-
P.K. Asset Plus Co., Ltd.	701	-	-	-
Panapat Co., Ltd.	594	-	-	-
Time Deco Services Co., Ltd.	94	-	-	-
<b>Total</b>	<b>4,563</b>	<b>723</b>	<b>34,769</b>	<b>1,512</b>



(in thousand Baht)

	Interest rate (% per annum)		Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012	2013	2012
Loans from related parties						
Short-term loans						
Subsidiary						
P.K. Garment (Import-Export) Co., Ltd.	-	4.00	-	-	-	77,000
Key management personnel	-	-	19,309	-	-	-
Total loans from related parties			19,309	-	-	77,000

Movements during for the year ended 31 December of loans from related parties were as follows:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Loans from related party				
Short-term loans				
Subsidiary				
At 1 January	-	-	77,000	-
At 23 May	-	-	-	-
Acquisition from business combinations	19,309	-	-	-
Increase	-	-	21,552	77,000
Decrease	-	-	(98,552)	-
At 31 December	19,309	-	-	77,000

### Significant agreements with related parties

As at 31 December 2013, the Group/Company has significant agreements with related parties as follows:

#### Building rental and Service agreements

On 1 November 2013, the Company has entered into building rental and services agreements with a related company in the total rental rate of Baht 5.4 million per year. The agreements have a period of 10 years. Under this agreements, only the Company has the right to cancel this agreements without a cancellation fee.

On 1 November 2013, the indirect subsidiary has entered into building rental and services agreements with a related company in the total rental rate of Baht 3.6 million per year. The agreements have a period of 3 years and are renewable for period of 3 years.

#### "Mc" Branded Goods Purchase Agreements

On 1 September 2012, the Company has entered into "Mc" Branded Goods Purchase Agreements with two subsidiaries whereby such subsidiaries agree to manufacture the products pursuant to the specifications for each product under model or sample, accessories, material and package as specified by the Company. The Company has agreed to purchase the products at the price based on the percentage of selling price and cost plus as specified in the agreements. The agreements both have a term of 2 years and 4 months each and are renewable for successive periods, except in case where either party would like to change and gives written notice 30 days in advance to the other party.

#### Land and factory rental agreements

On 1 September 2012, two subsidiaries have entered into land and building rental agreements with two related parties in the total rental rate of Baht 7.3 million per year. The agreements have a period of 10 years and are renewable for 2 successive periods of 10 years. Under this agreement, only the Company has the right to cancel this agreement without a cancellation fee.

#### Service agreements

On 1 September 2012, two subsidiaries has entered into service agreements for its utilities and facilities with two related companies to pay rental fee totalling Baht 4.7 million per year. The term of these agreements have a period of 10 years and both are renewable for two extension of 10 years each. In case of the above land and factory rental agreements has been terminated, this service agreements will be terminated together with that agreements.

#### Building rental agreement

On 1 September 2012, the Company has entered into building rental agreement with two subsidiaries which for office space and warehouse in the rental rate of Baht 14.2 million per year. The term of this agreement has a period of 3 years and is renewable.

### Office rental agreements

On 1 November 2012, the Company has entered into office rental agreement with a related company in the total rental rate of Baht 1.8 million per year. The term of these agreements have a period of 3 years. Under this agreement, only the Company has the right to cancel this agreement without a cancellation fee.

### Personnel service agreement

On 1 September 2012, the Company has entered into personnel service agreement with a subsidiary whereby such subsidiary has agreed to provide staff to the Company to work for sale personnel and warehouse personnel in the agreed rates as specified in the agreement.

### Management service agreements

On 1 September 2012, the Company has entered into management services agreements with three subsidiaries whereby the Company will provide service relating to accounting and taxation, financial and purchasing services. In consideration thereof, the subsidiaries agreed to pay service fees at amount of Baht 19.6 million per annum. The agreements have a term of 1 year and are renewable for successive periods with the same condition unit both parties agree to change the condition by giving written notice 30 days in advance.

### Future agreements with related parties

The Company and/or the subsidiaries have entered into lease agreements with the related companies as following:

Lease assets	Objective	Lessor	Lessee	Period	Fee per annum	The assets transferred date
(1) P.K.3 Extension	Warehouse	Related party	Subsidiary	10 years	Baht 2.1 million	Within July 2014
(2) PK Bangpakong Extension	Manufacturing of clothing	Related party	Subsidiary	10 years	Baht 5.1 million	Within February 2015
(3) Distribution Center	Warehouse and Distribution Center	Related party	Company	10 years	Baht 19.1 million	Within February 2014
(4) Design Center	Design Center	Related party	Company	10 years	Baht 4.5 million	Within February 2014

The term of these agreements have a period of 10 years from the assets transferred date and is renewable for 2 successive periods of 10 years. Under these agreements, only lessee has the right to cancel these agreements without a cancellation fee.

## 8. Cash and cash equivalents

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash on hand	9,784	6,637	9,576	6,507
Cash at banks - current accounts	257,291	144,946	245,572	5,762
Cash at banks - savings accounts	26	1,376	-	-
<b>Total</b>	<b>267,101</b>	<b>152,959</b>	<b>255,148</b>	<b>72,269</b>

Cash and cash equivalents of the Group and the Company as at 31 December 2013 and 2012 were denominated entirely in Thai Baht.

## 9. Short-term investments

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Short-term deposits at financial institutions	1,500,000	-	1,500,000	-
Equity securities held for trading	24,487	4,765	24,275	-
<b>Total</b>	<b>1,524,487</b>	<b>4,765</b>	<b>1,524,275</b>	<b>-</b>

Other investments of the Group and the Company as at 31 December 2013 and 2012 were denominated entirely in Thai Baht.

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Trading securities				
At 1 January	4,765	-	-	-
At 23 May	-	737	-	-
Purchases during the year	3,261,500	658,171	3,261,500	-
Sales during the year	(3,244,699)	(655,000)	(3,240,000)	-
Valuation adjustment	2,921	857	2,775	-
<b>At 31 December</b>	<b>24,487</b>	<b>4,765</b>	<b>24,275</b>	<b>-</b>



## 10. Trade accounts receivable

(in thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
Related parties	7	433	-	75	32,105
Other parties		767,848	678,394	671,657	592,752
		768,281	678,394	671,732	624,857
<i>Less</i> provision for sales return		(35,563)	(35,563)	(35,563)	(35,563)
allowance for doubtful accounts		(6,489)	(5,232)	(1,462)	-
Net		726,229	637,599	634,707	589,294
Bad and doubtful debts expense (reversal) for					
- the year ended to 31 December 2013		(2,179)	-	1,462	-
- the period from 23 May 2012 (inception date) to 31 December 2012		-	488	-	-

Aging analyses for trade accounts receivable were as follows:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Related parties				
Within credit terms	11	-	11	32,105
Overdue:				
Less than 3 months	422	-	51	-
3 - 6 months	-	-	7	-
6 - 12 months	-	-	6	-
Over 12 months	-	-	-	-
	433	-	75	32,105
<i>Less</i> allowance for doubtful accounts	-	-	-	-
Net	433	-	75	32,105

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Other parties				
Within credit terms	622,300	561,605	533,119	514,003
Overdue:				
Less than 3 months	131,803	108,880	130,360	78,748
3 - 6 months	6,875	5,343	7,094	1
6 - 12 months	39	1,648	99	-
Over 12 months	6,831	918	985	-
	767,848	678,394	671,657	592,752
<i>Less</i> provision for sales return	(35,563)	(35,563)	(35,563)	(35,563)
allowance for doubtful accounts	(6,489)	(5,232)	(1,462)	-
Net	725,796	637,599	634,632	557,189
Total	726,229	637,599	634,707	589,294

The normal credit term granted by the Group/Company ranges from 30 days to 120 days.

Trade accounts receivable of the Group and the Company as at 31 December 2013 and 2012 were denominated entirely in Thai Baht.

## 11. Inventories

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Finished goods	1,280,630	659,678	1,266,992	1,031,128
Work in progress	46,279	59,511	-	-
Raw materials and supplies	112,895	107,140	1,391	640
	1,439,804	826,329	1,268,383	1,031,768
<i>Less</i> allowance for obsolete inventories	(77,027)	(46,966)	(49,146)	(42,039)
Net	1,362,777	779,363	1,219,237	989,729

The cost of inventories which is recognized as an expense and included in cost of sale of goods in the consolidated and separate financial statements for the period ended 31 December 2013 amounted to Baht 1,288 million and Baht 1,840 million, respectively and 2012 amounted to Baht 645 million and Baht 570 million, respectively.

## 12. Other current assets

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Other Receivables-Revenue Department	9,714	39,491	1,718	37,796
Input VAT suspense	2,679	1,793	1,396	808
Advance to vendors	19,386	1,077	19,342	899
Advance to employees	1,700	3,910	1,292	2,372
Prepaid expenses	10,050	4,654	7,158	3,592
Accrued interest receivable	24,722	-	24,712	-
Others	4,433	4,199	3,534	121
<b>Total</b>	<b>72,684</b>	<b>55,124</b>	<b>59,152</b>	<b>45,588</b>

## 13. Investments in subsidiaries

(in thousand Baht)

	Separate financial statements	
	2013	2012
Subsidiaries		
At 1 January	251,966	-
At 23 May	-	-
Acquisitions	1,800	251,996
<b>At 31 December</b>	<b>253,766</b>	<b>251,996</b>

On 11 January 2013, the Company has acquired 100% shares of MC INTER LIMITED a company incorporated in Hong Kong. This company has registered share capital of 10,000 shares at HKD 1 per share. Currently, the Company has paid-up capital of 1 share. The company's principal business is to expand overseas business.

On 4 February 2013, the Company has acquired 79.97% in WoWme Limited. This company has registered share capital of 10,000 shares at Baht 100 per share. The company's principal business is to distribute goods and service via online channel such as clothes, accessories and etc. The Company has paid up shares amounting of Baht 799,700.

On 7 October 2013, the Company has acquired 99.97% in Look Balance Co., Ltd. This company has registered share capital of 10,000 shares at Baht 100 per share. The company's principal business is to holding. The Company has paid up shares amounting of Baht 999,700.

Investments in subsidiaries as at 31 December 2013 and 2012, and dividend income from those investments for the year/period ended were as follows:

(in thousand Baht)

	Separate financial statements											
	Ownership Interest (%)		Paid-up capital		Cost		Impairment		Cost - net of impairment		Dividend income for the year ended	Dividend income for the period 23 May 2012 (Inception date) to 31 December 2012
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Direct subsidiaries												
P.K. Garment (Import-Export) Co., Ltd.	99.99	99.99	250,000	250,000	249,996	249,996	-	-	249,996	249,996	435,245	499,994
Mc Jeans Manufacturing Co., Ltd.	99.97	99.97	1,000	1,000	1,000	1,000	-	-	1,000	1,000	73,978	-
Winner Man Co., Ltd.	99.97	99.97	1,000	1,000	1,000	1,000	-	-	1,000	1,000	2,999	-
WoWme Limited	79.97	-	1,000	-	800	-	-	-	800	-	-	-
MC INTER LIMITED	100.00	-	-	-	-	-	-	-	-	-	-	-
Look Balance Co., Ltd.	99.97	-	1,000	-	1,000	-	-	-	1,000	-	-	-
Total					253,796	251,996	-	-	253,796	251,996	512,222	499,994
Indirect subsidiaries												
Time Deco Corporation Co., Ltd.	51.00	-	20,410	10,000	200,000	-	-	-	200,000	-	-	-



## 14. Property, plant and equipment

(in thousand Baht)

	Consolidated financial statements						Total
	Land and improvements	Building and factory improvements	Machines and factory equipment	Fixtures and office equipment	Motor vehicles	Assets Under installation	
Cost							
At 23 May 2012	-	-	-	-	-	-	-
Acquisition from business restructuring	36,198	240,691	241,724	87,054	39,314	15,124	660,105
Additions	-	1,330	10,594	11,986	13,003	33,875	70,788
Transfers	-	13,532	9,672	5,687	12,414	(41,305)	-
Disposals	(19,166)	(34,571)	-	(3)	-	(544)	(54,284)
At 31 December 2012 and 1 January 2013	17,032	220,982	261,990	104,724	64,731	7,150	676,609
Additions	-	655	16,584	27,596	383	112,524	157,742
Acquisition from business combinations	-	37,920	-	52,593	13,390	1,565	105,468
Transfers	-	47,966	1,183	3,402	18,803	(71,354)	-
Disposals	-	-	(5,211)	(251)	(1,181)	(3,284)	(9,927)
At 31 December 2013	17,032	307,523	274,546	188,064	96,126	46,601	929,892

(in thousand Baht)

	Consolidated financial statements						
	Land and improvements	Building and factory improvements	Machines and factory equipment	Fixtures and office equipment	Motor vehicles	Assets Under installation	Total
Accumulated depreciation							
At 23 May 2012	-	-	-	-	-	-	-
Acquisition from business restructuring	-	186,675	169,719	51,216	24,395	-	432,005
Depreciation charge for the period	-	7,457	10,509	7,512	2,300	-	27,778
Disposals	-	(15,044)	-	(1)	(5)	-	(15,050)
At 31 December 2012 and 1 January 2013	-	179,088	180,228	58,727	26,690	-	444,733
Depreciation charge for the year	-	26,213	24,585	24,730	10,600	-	86,128
Acquisition from business combinations	-	22,627	-	35,434	6,478	-	64,539
Disposals	-	-	(4,738)	(40)	(892)	-	(5,670)
At 31 December 2013	-	227,928	200,075	118,851	42,876	-	589,730
Net book value							
At 31 December 2012 and 1 January 2013	17,032	41,894	81,762	45,997	38,041	7,150	231,876
At 31 December 2013	-	79,595	74,471	69,213	53,250	46,601	340,162

(in thousand Baht)

	Separate financial statements					Total
	Building and factory improvements	Machines and factory equipment	Fixtures and office equipment	Motor vehicles	Assets Under installation	
<b>Cost</b>						
At 23 May 2012	-	-	-	-	-	-
Additions	15,587	1,505	27,959	40,088	1,449	86,588
Disposals	-	-	(3)	(161)	-	(164)
At 31 December 2012 and 1 January 2013	15,587	1,505	27,956	39,927	1,449	86,424
Additions	210	1,246	21,144	-	99,474	122,074
Transfers	45,666	34	2,621	11,282	(59,603)	-
Disposals	-	-	(29)	(161)	-	(190)
At 31 December 2013	61,463	2,785	51,692	51,048	41,320	208,308
<b>Accumulated depreciation</b>						
At 23 May 2012	-	-	-	-	-	-
Depreciation charge for the period	1,495	90	2,206	1,735	-	5,526
Disposals	-	-	(1)	(5)	-	(6)
At 31 December 2012 and 1 January 2013	1,495	90	2,205	1,730	-	5,520
Depreciation charge for the year	13,583	434	11,094	8,886	-	33,997
Disposals	-	-	(6)	(35)	-	(41)
At 31 December 2013	15,078	524	13,293	10,581	-	39,476
<b>Net book value</b>						
At 23 May 2012	-	-	-	-	-	-
At 31 December 2012 and 1 January 2013	14,092	1,415	25,751	38,197	1,449	80,904
At 31 December 2013	46,385	2,261	38,399	40,467	41,320	168,832

## 15. Goodwill

(in thousand Baht)

		Consolidated financial statements	
	Note	2013	2012
Cost			
At 1 January		-	-
At 23 May		-	-
Acquired through business combinations	6	107,783	-
At 31 December		107,783	-
Net book value			
At 1 January		-	-
At 31 December		107,783	-

## 16. Intangible assets

(in thousand Baht)

	Consolidated financial statements		
	Computer software	Other	Total
Cost			
At 23 May 2012	-	-	-
Acquisition from business restructuring	9,985	688	10,673
Additions	4,026	-	4,026
At 31 December 2012 and 1 January 2013	14,011	688	14,699
Additions	10,173	-	10,173
Acquisition from business combinations	9,026	-	9,026
Disposal	(70)	-	(70)
At 31 December 2013	33,140	688	33,828



(in thousand Baht)

	Consolidated financial statements		
	Computer software	Other	Total
Accumulated amortization and impairment losses			
At 23 May 2012	-	-	-
Acquisition from business restructuring	4,446	290	4,736
Amortization charge for the period	931	39	970
Impairment losses	4,702	-	4,702
At 31 December 2012 and 1 January 2013	10,079	329	10,408
Amortization charge for the year	4,033	76	4,109
Acquisition from business combinations	6,920	-	6,920
Impairment losses	1,975	-	1,975
Disposal	(13)	-	(13)
At 31 December 2013	22,994	405	23,399
Net book value			
At 23 May 2012	-	-	-
At 31 December 2012 and 1 January 2013	3,932	360	4,291
At 31 December 2013	10,146	283	10,429

(in thousand Baht)

	Separate financial statements		
	Computer software	Other	Total
Cost			
At 23 May 2012	-	-	-
Additions	8,977	385	9,362
At 31 December 2012 and 1 January 2013	8,977	385	9,362
Additions	7,502	-	7,502
At 31 December 2013	16,479	385	16,864

(in thousand Baht)

	Separate financial statements		
	Computer software	Other	Total
Accumulated amortization and impairment losses			
At 23 May 2012	-	-	-
Amortization charge for the period	(500)	(25)	(525)
Impairment losses	(4,702)	-	(4,702)
At 31 December 2012 and 1 January 2013	(5,202)	(25)	(5,227)
Amortization charge for the year	(2,252)	(77)	(2,329)
Impairment losses	(2,646)	-	(2,646)
At 31 December 2013	(10,100)	(102)	(10,202)
Net book value			
At 23 May 2012	-	-	-
At 31 December 2012 and 1 January 2013	3,775	360	4,135
At 31 December 2013	6,379	283	6,662

## 17. Deferred tax

Deferred tax assets and liabilities as at 31 December were as follows:

(in thousand Baht)

	Consolidated financial statements			
	Assets		Liabilities	
	2013	2012	2013	2012
Net Deferred tax assets	171,720	107,367	-	-

(in thousand Baht)

	Separate financial statements			
	Assets		Liabilities	
	2013	2012	2013	2012
Net Deferred tax assets	68,713	46,401	-	-

Movements in total deferred tax assets and liabilities during the year/ period were as follows:

(in thousand Baht)

	Consolidated financial statements				
	At 1 January 2013	Acquisition from business comprehensive	Charged/ (Credited to)		At 31 December 2013
			Profit or loss	Other comprehensive income	
Deferred tax assets					
Property, plant and equipment	1,403	-	2,730	-	4,133
Intangible assets	940	1,384	529	-	2,853
Trade accounts receivable	10,479	687	(3,037)	-	8,129
Inventories	54,915	4,409	(8,701)	-	50,623
Consignment	30,184	37,323	33,303	-	100,810
Employee benefit	9,446	802	(7,634)	-	2,614
Tax benefit	-	-	2,558	-	2,558
<b>Total</b>	<b>107,367</b>	<b>44,605</b>	<b>19,748</b>	<b>-</b>	<b>171,720</b>

(in thousand Baht)

	Consolidated financial statements				
	At 23 May 2012	Acquisition from business restructuring	Charged/ (Credited to)		At 31 December 2012
			Profit or loss	Other comprehensive income	
Deferred tax assets					
Property, plant and equipment	-	-	1,403	-	1,403
Intangible assets	-	-	940	-	940
Trade accounts receivable	-	9,778	701	-	10,479
Inventories	-	349	54,566	-	54,915
Consignment	-	35,321	(5,137)	-	30,184
Employee benefit	-	7,426	2,020	-	9,446
<b>Total</b>	<b>-</b>	<b>52,874</b>	<b>54,493</b>	<b>-</b>	<b>107,367</b>

(in thousand Baht)

	Separate financial statements			
	At 1 January 2013	Charged/ (Credited to)		At 31 December 2013
		Profit or loss	Other comprehensive income	
Deferred tax assets				
Property, plant and equipment	-	-	-	-
Intangible assets	940	529	-	1,469
Trade accounts receivable	7,113	292	-	7,405
Inventories	4,391	1,422	-	5,813
Consignment	28,928	24,080	-	53,008
Employee benefit	5,029	(4,011)	-	1,018
Total	46,401	22,312	-	68,713

(in thousand Baht)

	Separate financial statements			
	At 23 May 2012	Charged/ (Credited to)		At 31 December 2012
		Profit or loss	Other comprehensive income	
Deferred tax assets				
Property, plant and equipment	-	-	-	-
Intangible assets	-	940	-	940
Trade accounts receivable	-	7,113	-	7,113
Inventories	-	4,391	-	4,391
Consignment	-	28,928	-	28,928
Employee benefit	-	5,029	-	5,029
Total	-	46,401	-	46,401

## 18. Other non-current assets

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Rental deposit	48,623	32,147	35,646	12,904
Prepaid space booking rental	9,040	4,281	9,039	4,281
Others	11,160	3,501	4,580	1,709
<b>Total</b>	<b>68,823</b>	<b>39,929</b>	<b>49,265</b>	<b>18,894</b>

## 19. Interest-bearing liabilities

(in thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
<b>Current</b>					
Bank overdrafts					
Secured		22,457	-	-	-
Short-term loans from financial institutions					
Secured		-	250,000	-	-
Liabilities under trust receipts					
Secured		85,755	-	-	-
Bank overdrafts and short-term loans from financial institutions		108,212	250,000	-	-
Short-term loans from related parties					
Unsecured	7	-	-	-	77,000
<b>Total current interest-bearing liabilities</b>		<b>108,212</b>	<b>250,000</b>	<b>-</b>	<b>77,000</b>
<b>Non-current</b>					
Long-term loans from financial institutions					
Secured		-	299,997	-	299,997
<b>Total non-current interest-bearing liabilities</b>		<b>-</b>	<b>299,997</b>	<b>-</b>	<b>299,997</b>



Interest-bearing liabilities as at 31 December were as follows:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Property, plant and equipment	-	25,886	-	-
Total	-	25,886	-	-

The above liabilities are guaranteed by certain directors of the subsidiary.

The Group has obtained credit lines from several local financial institutions and certain branches of foreign financial institutions. The details of interest rate are as follows:

(% per annum)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Overdrafts	4.2 - 4.4	-	-	-
Short-term loans from financial institutions, liabilities under trust receipts	4.2 - 4.4	-	-	-

Subsidiary has short-term loan from a local financial institution amounted to Baht 250 million with bearing interest at the Minimum Loan Rate (MLR) minus fixed rate per annum. Principal repayments are Baht 175 million on 11 February 2013 and Baht 75 million on 26 March 2013. Such loan was secured by land and building.

On 14 September 2012, the Company entered into loan-term loan with a local financial institution totalling of Baht 300 million. This loan bears interest at the Minimum Loan Rate (MLR) minus specified rate in the agreement. The loan has repayment term within one month from the initial public offering date. In case of the initial public offering process has taken more than 12 months, the Company agreed to repay on monthly basis in the total of 9 instalments starting from last working date of January 2014 and ending within September 2014. The Company has to comply with conditions and covenants as stipulated in the loan agreement such as maintaining debt to equity ratio and assigning P.K. Garment (Import-Export) Co., Ltd. which is the company's subsidiary as guarantor.

On 11 March 2013, the Company entered into loan-term loan with a local financial institution for total financing of Baht 450 million. This loan bears interest at the Minimum Loan Rate (MLR) minus specified rate in the agreement. The loan has repayment term in the total of 13 monthly instalments starting from the last working date of October 2014 and ending within October 2015. In case that the Company has the initial public share offering, then the Company has agreed to repay the loan from the funds received from that offering, within one month from the

initial public offering date. The Company has to comply with conditions and covenants as stipulated in the loan agreement such as maintaining debt to equity ratio and assigning P.K. Garment (Import-Export) Co., Ltd. which is the company's subsidiary as guarantor.

As discussed in note 24, the Company offered its common shares to the initial public offering in June 2013. The Company agreed to use of money received from the initial public offering for loans repayment in full amount, totalling Baht 750 million to the financial institution on 2 July 2013.

Interest-bearing liabilities of the Group and Company as at 31 December 2013 and 2012 were denominated entirely in Thai Baht.

## 20. Trade accounts payable

(in thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
Related parties	7	28,327	11,240	787,607	1,158,984
Other parties		412,877	276,794	132,685	84,297
<b>Total</b>		<b>441,204</b>	<b>288,034</b>	<b>920,292</b>	<b>1,243,281</b>

The currency denomination of trade accounts payable as at 31 December was as follows:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Thai Baht (THB)	349,566	288,034	920,292	1,243,281
United States Dollars (USD)	88,485	-	-	-
Singapore dollar (SGD)	117	-	-	-
Euro Currency (EUR)	366	-	-	-
Swiss France (CHF)	2,670	-	-	-
<b>Total</b>	<b>441,204</b>	<b>288,034</b>	<b>920,292</b>	<b>1,243,281</b>

## 21. Other payables

(in thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
Related parties	7	4,563	723	34,769	1,512
Other parties		42,470	55,708	25,202	22,702
Total		47,033	56,431	59,971	24,214

## 22. Other current liabilities

(in thousand Baht)

		Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
Accrued bonus		59,709	59,693	31,706	9,378
Accrued shop rental expense		19,615	12,045	19,615	11,810
Accrued commission		14,647	13,344	13,085	13,318
Accrued rebate expense		40,674	37,886	32,270	35,241
Accrued withholding tax		16,093	1,766	14,134	1,356
Others		43,395	28,969	24,512	11,849
Total		194,133	153,703	135,322	82,952

## 23. Employee benefit obligations

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Statement of financial position				
Statement of financial position obligations for:				
Post-employment benefits	39,204	38,948	18,812	25,146
For the period 23 May 2012 (Inception date) to 31 December 2012				
For the year ended to 31 December 2013				
Statements of comprehensive income (Recognized in profit and loss)				
Post-employment benefits	11,046	3,814	5,088	1,523

The Group operates a defined benefit pension plan based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations:

(in thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
Defined benefit obligations					
at 1 January		38,948	-	25,146	-
at 23 May		-	-	-	-
Received from acquisition of business restructuring		-	35,134	-	-
Received from acquisition of business combinations	6	4,033	-	-	-
Received from transfer of the subsidiaries' employees		-	-	-	23,623
Benefits paid by the plan		(14,823)	-	(11,422)	-
Current service costs and interest		11,046	3,814	5,088	1,523
Defined benefit obligations at 31 December		39,204	38,948	18,812	25,146

The expense is recognized in the following line items in the statement of comprehensive income:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
For the year ended 31 December 2013 and for the period 23 May 2012 (Inception date) to 31 December 2012				
Current service costs	9,393	3,242	4,262	1,273
Interest on obligation	1,653	572	826	250
Total	11,046	3,814	5,088	1,523

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

(%)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Discount rate	3.6414	3.6414	3.6414	3.6414
Future salary increases	5.00	5.00	5.00	5.00

Assumptions regarding future mortality are based on published statistics and mortality tables.



## 24. Share capital

	Par value per share (Baht)	2013		For the period 23 May 2012 (Inception date) to 31 December 2012	
		Number (thousand shares)	Baht (thousand Baht)	Number (thousand shares)	Baht (thousand Baht)
Authorized					
At 1 January					
- Ordinary shares	10	30,000	300,000	-	-
At 23 May					
- Ordinary shares	100	-	-	10	1,000
Reduction in par value					
- from Baht 100 to Baht 10	10	-	-	90	-
Reduction in par value					
- from Baht 10 to Baht 0.50	0.50	570,000	-	-	-
Increase of new shares	10	-	-	29,900	299,000
Increase of new shares	0.50	200,000	100,000	-	-
At 31 December					
- ordinary shares	10	-	-	30,000	300,000
- ordinary shares	0.50	800,000	400,000	-	-
Issued and paid-up					
At 1 January					
- Ordinary shares	10	30,000	300,000	-	-
At 23 May					
- Ordinary shares	100	-	-	10	1,000
Reduction in par value					
- from Baht 100 to Baht 10	10	-	-	90	-
Reduction in par value					
- from Baht 10 to Baht 0.50	0.50	570,000	-	-	-
Increase of new shares	10	-	-	29,900	299,000
Increase of new shares	0.50	200,000	100,000	-	-
At 31 December					
- ordinary shares	10	-	-	30,000	300,000
- ordinary shares	0.50	800,000	400,000	-	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

### **The decrease in share par value and increase in authorized share capital**

At the annual general shareholders' meeting of the Company held on 15 March 2013, the shareholders passed resolutions on decrease in share par value from Baht 10 to Baht 0.50 and increase in authorized share capital of Baht 300 million to Baht 400 million. The Company registered the resolutions with the Ministry of Commerce on 18 March 2013.

### **Initial public offering**

In June 2013, the Company offered its common shares to the initial public offering by issuing 200,000,000 common shares. The new shares were sold to the subscribers at a price of Baht 15 per share (Baht 0.50 paid in capital and Baht 14.50 share premium) totalling Baht 3,000 million. The Company registered the increase in paid-up share capital with the Ministry of Commerce on 1 July 2013 and the shares of the Company begin trading in the Stock Exchange of Thailand on 4 July 2013. Directly attributable expenses of the initial public offering amounted to Baht 75.07 million were deductible from the premium on share capital received from new investors.

## **25. Reserves**

Reserve comprises:

### **Appropriations of profit and/or retained earnings**

#### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 (1992) Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

## 26. Segment information

### Business segments

Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Segment 1            Clothing and accessories.
- Segment 2            Watches.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### Information about reportable segments

(in thousand Baht)

	Segment 1 Business of clothing and accessories		Segment 2 Business of Watch		Total	
	2013	2012	2013	2012	2013	2012
External revenue	2,947,298	1,437,927	69,781	-	3,017,079	1,437,927
Inter-segment revenue	-	-	-	-	-	-
<b>Total segment revenue</b>	<b>2,947,298</b>	<b>1,437,927</b>	<b>69,781</b>	<b>-</b>	<b>3,017,079</b>	<b>1,437,927</b>
Interest revenue	27,436	78	-	-	27,436	114,555
Interest expense	(16,527)	(11,926)	(926)	-	(17,728)	(11,926)
Depreciation and amortization	(83,644)	(28,748)	(2,471)	-	(86,115)	(28,748)
<b>Segment profit (loss) before income tax</b>	<b>806,850</b>	<b>377,414</b>	<b>2,878</b>	<b>-</b>	<b>809,728</b>	<b>377,414</b>
Other material non-cash items:						
- Impairment loss on intangible assets	(1,975)	(4,702)	-	-	(1,975)	(4,702)

(in thousand Baht)

	Segment 1 Business of clothing and accessories		Segment 2 Business of Watch		Total	
	2013	2012	2013	2012	2013	2012
Segment assets	4,039,645	2,013,305	504,766	-	4,544,411	2,013,305
Unallocated amount						
Goodwill					107,783	-
Total Assets					4,652,194	2,013,305
Segment liabilities	629,062	1,197,592	321,762	-	950,824	1,197,592
Capital expenditure	42,232	70,787	2,986	-	45,218	70,787

### Geographical segments

Management considers that the Group operates in a single geographical area, namely in Thailand, and has, therefore, only one major geographical segment.

## 27. Investment income

(in thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
Dividend income					
Subsidiaries	7	-	-	512,222	499,994
Other parties		6	-	-	-
		6	-	512,222	499,994
Interest revenue					
Subsidiaries	7	-	-	4,033	1,292
Other parties		27,436	78	27,432	58
		27,436	78	31,465	1,350
Total		27,442	78	543,687	501,344

In 2012, the Company's subsidiary has proposed interim dividends of Baht 500 million which was included unappropriated retained earnings before the business restructuring in amounting to Baht 172.4 million.

## 28. Other income

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Gain on disposal of assets	49	7,163	88	-
Rental income	745	1,549	-	661
Gain on disposal of investments	2,855	857	2,775	-
Revenue from sale of materials	2,006	-	-	-
Reversal of doubtful accounts	2,178	-	-	-
Income from insurance	2,500	-	-	-
Service income	-	-	19,877	6,520
Others	6,495	1,236	512	311
<b>Total</b>	<b>16,828</b>	<b>10,805</b>	<b>23,252</b>	<b>7,492</b>

## 29. Selling expenses

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Personnel	289,059	126,534	287,169	84,160
Advertising and public relations	18,419	7,174	13,973	7,540
Rental and services	180,617	68,288	178,744	48,574
Others	81,223	40,776	78,711	26,493
<b>Total</b>	<b>569,318</b>	<b>242,772</b>	<b>558,597</b>	<b>166,767</b>



### 30. Administrative expenses

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Personnel	167,565	77,281	160,418	50,768
Marketing	31,272	-	20,509	4,943
Rental and services	11,224	-	16,500	6,101
Professional fees	23,737	19,102	27,353	11,254
Provision for inventory obsolescence and stock loss	-	11,262	-	32,519
Others	98,687	52,681	78,273	23,911
<b>Total</b>	<b>332,485</b>	<b>160,326</b>	<b>303,053</b>	<b>129,496</b>

### 31. Employee benefit expenses

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Managements</b>				
Wages and salaries	55,443	21,094	39,485	15,470
Post-employment benefits	2,541	1,347	1,234	1,029
Defined contribution plans	846	527	798	400
Others	1,807	12	562	8
	<b>60,637</b>	<b>22,980</b>	<b>42,079</b>	<b>16,907</b>
<b>Other employees</b>				
Wages and salaries	516,348	238,542	130,546	32,201
Post-employment benefits	8,505	2,467	3,854	494
Defined contribution plans	2,493	1,080	2,427	539
Others	175,254	78,182	19,945	17,073
	<b>702,600</b>	<b>320,271</b>	<b>156,772</b>	<b>50,307</b>
<b>Total employee benefit expenses</b>	<b>763,237</b>	<b>343,251</b>	<b>198,851</b>	<b>67,214</b>

### Defined benefit plans

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates 3% of their basic salaries and by the Group at rates 3% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

## 32. Expenses by nature

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Changes in inventories of finished goods and work in progress	325,988	47,783	1,835,285	567,276
Raw materials and consumables used	486,236	372,532	-	-
Personnel	763,237	343,251	198,851	67,214
Personnel services fee	-	-	253,370	67,563
Staff outsourcing services fees	64,544	34,691	-	-
Advertising costs	51,022	21,696	41,326	15,046
Provision for inventory obsolescence and stock loss	-	14,179	-	40,083
Professional fees	28,865	23,017	21,370	13,704
Rental and services	202,294	73,054	199,253	52,120
Depreciation and amortization	86,115	28,748	35,658	6,051
Impairment losses	1,975	4,702	2,646	4,702
Others	179,622	84,934	113,832	32,343
Total cost of sales of goods, selling expenses, administrative expenses	2,189,898	1,048,587	2,701,591	866,102

### 33. Finance costs

(in thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
Interest expenses					
Related parties	7	-	-	1,451	467
Other parties		17,453	11,926	16,081	4,970
Total		17,453	11,926	17,532	5,437

### 34. Income tax expense

#### Income tax recognized in profit or loss

(in thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
Current tax expense					
Current year		97,866	113,629	75,223	62,571
Adjustment for prior years		(847)	-	(5,465)	-
		97,019	113,629	69,758	62,571
Deferred tax expense					
Movements in temporary differences	17	(19,748)	(54,493)	(22,312)	(46,401)
Total		77,271	59,136	47,446	16,170

### Reconciliation of effective tax rate

(in thousand Baht)

	Consolidated financial statements			
	2013		2012	
	Tax rate (%)	(in thousand Baht)	Tax rate (%)	(in thousand Baht)
Profit before total income tax expense		809,728		377,414
Income tax using the tax rate	20	161,946	23	86,805
Income from Thai operations not subject to tax		(84,793)		(45,955)
Income tax reduction - current		-		16,584
Income not subject to tax		(146)		-
Expenses not deductible for tax purposes		1,160		1,702
Other		(896)		-
Total	9.5	77,271	15.7	59,136

(in thousand Baht)

	Separate financial statements			
	2013		2012	
	Tax rate (%)	(in thousand Baht)	Tax rate (%)	(in thousand Baht)
Profit before total income tax expense		747,601		537,666
Income tax using the tax rate	20	149,520	23	123,663
Income tax reduction - current		-		6,960
Income not subject to tax		(102,573)		(114,999)
Expenses not deductible for tax purposes		934		546
Other		(435)		-
Total	6.3	47,446	3	16,170

### Income tax reduction

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods (2013 and 2014) which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

## 35. Basic earnings per share

### Basic earnings per share

The calculations of basic earnings per share for the year ended 31 December 2013 and for the period 23 May 2012 (Inception date) to 31 December 2012 were based on the profit for the year/period attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the year/period as follows:

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2013	For the period 23 May 2012 (Inception date) to 31 December 2012	For the year ended 31 December 2013	For the period 23 May 2012 (Inception date) to 31 December 2012
	(in thousand Baht/ shares)			
Profit attributable to ordinary shareholders of the Company (basic)	733,441	318,261	700,155	521,496
Number of ordinary shares issued as at 1 January	30,000	-	30,000	-
Number of ordinary shares issued as at 23 May	-	10	-	10
Effect of decrease of the par value	570,000	397,861	570,000	397,861
Effect of shares issued on July 1	100,822	-	100,822	-
Effect of shares issued on July 30	-	20,835	-	20,835
Weighted average number of ordinary shares outstanding (basic)	700,822	418,706	700,822	418,706
Earnings per share (basic) (in Baht)	1.05	0.76	1.00	1.25



### 36. Promotional privileges

A subsidiary has been granted privileges by the Board of Investment related to manufacturing garments 2 promotional certificates as follows:

1. For manufacturing garments in promotional certificate no. 2135(5)/2554 dated on 16 September 2011. The significant privileges consisted of exemption from payment of import duty on machinery which will be imported during period specified by the certificate and exemption from payment of income tax for certain operation for a period of eight years from the date on which the income is first derived which was 27 June 2011.
2. For manufacturing costumes in promotional certificate no. 1673(5)/2555 dated on 30 May 2012. The significant privileges consisted of exemption from payment of import duty on machinery which will be imported during period specified by the certificate and exemption from payment of income tax for certain operation for a period of eight years from the date on which the income is first derived which was 30 December 2011.

For the period 23 May 2012 (Inception date) to 31 December 2012 and 1 January 2013 to 31 December 2013, summary of revenue from promoted and non-promoted businesses are as follows:

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2013	For the period 23 May 2012 (Inception date) to 31 December 2012	For the year ended 31 December 2013	For the period 23 May 2012 (Inception date) to 31 December 2012
Revenue from sale of goods				
Promoted business	943,763	675,523	-	-
Non-promoted business	3,626,451	2,323,867	2,899,785	900,368
	4,570,214	2,999,390	2,899,785	900,368
<i>Less</i> Eliminations	(1,597,405)	(1,572,346)	-	-
Total	2,972,809	1,427,044	2,899,785	900,368

## 37. Dividends

At the Board of Directors of the Company meeting held on 13 November 2013, the Board approved the appropriation of interim dividends of Baht 0.15 per share, amounting to Baht 120 million. The interim dividend was paid to the shareholders in December 2013.

At the Board of Directors of the Company meeting held on 14 August 2013, the Board approved the appropriation of interim dividends of Baht 0.125 per share, amounting to Baht 100 million. The interim dividend was paid to the shareholders in September 2013.

At the Board of Directors of the Company meeting held on 1 July 2013, the Board approved the appropriation of interim dividends of Baht 0.225 per share, amounting to Baht 180 million. The interim dividend was paid to the shareholders in July 2013.

At the annual general meeting of the shareholders of the Company held on 15 March 2013, the shareholders approved the appropriation of dividend of Baht 15.35 per share, amounting to Baht 460.5 million. The dividend was paid to shareholders in March 2013.

At the Board of Directors of subsidiary company meeting held on 27 June 2012, the board approved the appropriation of interim dividends of Baht 1,388 per share, amounting to Baht 347 million, which was paid to the shareholders in July 2012.

At the Board of Directors of subsidiary company meeting held on 20 December 2012, the board approved the appropriation of interim dividends of Baht 2,000 per share, amounting to Baht 500 million, which the subsidiary will pay to the shareholders in 2013. The dividend was included the distribution from retained earnings before the business restructuring in, amounting to Baht 172.4 million.

## 38. Financial instruments

### Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

## Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

## Interest rate risk

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 management believes that the Group has low interest rate risk because it has borrowing interest rate is the market rate.

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

	Consolidated financial statements			
	Effective interest rate	Within 1 year	After 1 year but within 5 years	Total
	(% per annum)	(in thousand Baht)		
2013				
Current				
Loans from financial institutions	4.2 - 4.4	108,212	-	108,212
Total		108,212	-	108,212
2012				
Current				
Loans from financial institutions	4.0	250,000	-	250,000
Non-current				
Loans from financial institutions	5.5	-	299,997	299,997
Total		250,000	299,997	549,997

	Separate financial statements			
	Effective interest rate	Within 1 year	After 1 year but within 5 years	Total
	(% per annum)	(in thousand Baht)		
2012				
Current				
Loans from related parties	4.0	77,000	-	77,000
Non-current				
Long-term loans from financial institutions	5.5	-	299,997	299,997
Total		77,000	299,997	376,997

### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

### Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

### Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of trade and other short-term receivables is taken to approximate the carrying value.

The carrying amounts of borrowings with variable interest rates approximate their fair values. The carrying amounts of other accounts with fixed interest rates are immaterial.

### 39. Commitments with non-related parties

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Non-cancellable operating lease commitments				
Within one year	203,561	125,866	194,964	125,866
After one year but within five years	193,111	191,899	190,719	191,899
<b>Total</b>	<b>396,672</b>	<b>317,765</b>	<b>385,683</b>	<b>317,765</b>
Other commitments				
Bank guarantees	12,000	11,512	-	-
<b>Total</b>	<b>12,000</b>	<b>11,512</b>	<b>-</b>	<b>-</b>

### 40. Events after the reporting period

At the Board of Directors of the Company meeting held on 26 February 2014, the Board approved the appropriation of dividends of Baht 0.23 per share, amounting to Baht 184 million.



#### 41. Thai Financial Reporting Standards (TFRS) not yet adopted

The Group has not adopted the following new and revised TFRS which related with the group that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are expected to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table.

TFRS	Topic	Year
TAS 1 (revised 2012)	Presentation of Financial Statements	2014
TAS 7 (revised 2012)	Statement of Cash Flows	2014
TAS 12 (revised 2012)	Income Taxes	2014
TAS 17 (revised 2012)	Leases	2014
TAS 18 (revised 2012)	Revenue	2014
TAS 19 (revised 2012)	Employee Benefits	2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rate	2014
TAS 24 (revised 2012)	Related Party Disclosures	2014
TAS 34 (revised 2012)	Interim Financial Reporting	2014
TAS 36 (revised 2012)	Impairment of Assets	2014
TAS 38 (revised 2012)	Intangible assets	2014
IFRS 3 (revised 2012)	Business Combinations	2014
IFRS 8 (revised 2012)	Operating Segments	2014
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2014
TFRIC 10	Interim Financial Reporting and Impairment	2014
TFRIC 13	Customer Loyalty Programmes	2014
TFRIC 15	Operating Leases – Incentives	2014
TIC 32	Intangible Assets-Web Site Costs	2014

Management expects to adopt and apply these new and revised TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

## 42. Reclassification of accounts

Certain accounts in the 2012 financial statements have been reclassified to conform to the presentation in the 2013 financial statements.

(in thousand Baht)

	2012					
	Consolidated financial statements			Separate financial statements		
	Before reclass.	Reclass.	After reclass.	Before reclass.	Reclass.	After reclass.
Statement of comprehensive income						
Cost of sale of goods	636,489	9,001	645,490	564,192	5,647	569,839
Selling expenses	251,773	(9,001)	242,772	172,414	(5,647)	166,767
		-			-	

# **MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries**

Financial Information for the Years Ended  
31 December 2013 and 2012  
and Independent Assurance Report  
of Certified Public Accountant





# Independent Assurance Report of Certified Public Accountant on Financial Information

## Dear the Board of Directors of MC GROUP PUBLIC COMPANY LIMITED

I report on the accompanying consolidated statement of comprehensive income for the year ended 31 December 2013 and the pro forma consolidated statement of comprehensive income for the year ended 31 December 2012 ("financial information") of MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries ("the Group"), which have been prepared by the Group's Management for the purposes to analyze the financial results of the Group.

### The key information to prepare the financial information is as follows:

- The consolidated statement of comprehensive income for the year ended 31 December 2013 of the Group has been prepared based on the financial statements for the year ended 31 December 2013 which I have audited and expressed the unmodified opinion in the report dated 26 February 2014.
- The pro forma consolidated statement of comprehensive income for the year ended 31 December 2012 of the Group has been prepared based on the pro forma financial information for the year ended 31 December 2012 which I have conducted my work in accordance with Thai Standard of Assurance Engagement and have reported and expressed the unmodified conclusion in the report dated 20 March 2013.

The financial information does not prepare and present as required by Thai Financial Reporting Standards. Therefore, reading the financial information is not a substitute for reading the financial statements audited by the auditor and pro forma financial information reported by the auditor.

### Respective responsibilities of the Group's Management

The Group's Management is responsible for the compilation of the financial information in accordance with the basis of preparation as described in note 1.

### Respective responsibilities of the Certified Public Accountant

My responsibility is to express an opinion as to whether the financial information has been properly compiled by the Group's Management in accordance with the basis of preparation as described in note 1.

I am not responsible for updating, reissuing any reports, conclusions or express opinions on any financial information used in compiling the financial information, nor have I, in the course of this engagement, performed review or an audit of the financial information used in compiling the financial information.

### Basis of opinion

I conducted my work in accordance with Thai Standard of Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. My work consisted primarily of comparing the financial information with source documents as noted in the second paragraph with the financial information prepared by the Group's Management.

I planned and performed my work so as to obtain the information and explanations I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial information has been properly compiled by the Group's Management in accordance with the basis of preparation in note 1.

### Opinion

In my opinion, the financial information has been prepared by the Group's Management on the basis as described in note 1.

### Other matter

This report is intended solely for use by the directors of MC GROUP PUBLIC COMPANY LIMITED. As such, this report should not be used for any other purposes.



**Vichien Thamtrakul**

Certified Public Accountant  
Registration No. 3183

KPMG Phoomchai Audit Ltd.  
Bangkok  
26 February 2014



# Consolidated Statements of Comprehensive Income

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

(in Baht)

	(Audited) For the year ended 31 December	(Pro forma) For the year ended 31 December
	2013	2012
<b>Income</b>		
Revenue from sale of goods	2,972,809,420	2,555,604,991
Investment income	27,442,176	138,280
Other income	16,828,008	8,531,022
<b>Total income</b>	<b>3,017,079,604</b>	<b>2,564,274,293</b>
<b>Expenses</b>		
Cost of sale of goods	1,288,095,687	1,141,112,429
Selling expenses	569,318,118	417,111,066
Administrative expenses	332,484,600	280,281,601
Finance costs	17,452,984	18,757,377
<b>Total expenses</b>	<b>2,207,351,389</b>	<b>1,857,262,473</b>
<b>Profit before income tax expense</b>	<b>809,728,215</b>	<b>707,011,820</b>
Income tax expense	(77,270,930)	(107,692,960)
<b>Profit for the year</b>	<b>732,457,285</b>	<b>599,318,860</b>
<b>Other comprehensive income</b>		
Defined benefit plan actuarial losses	-	(3,899,581)
Income tax on other comprehensive income	-	746,869
<b>Other comprehensive income (loss) for the year, net of income tax</b>	<b>-</b>	<b>(3,152,712)</b>
<b>Total comprehensive income for the year</b>	<b>732,457,285</b>	<b>596,166,148</b>
<b>Profit attributable to:</b>		
Owners of the Company	733,440,654	599,299,275
Non-controlling interests	(983,369)	19,585
<b>Profit for the year</b>	<b>732,457,285</b>	<b>599,318,860</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	733,440,654	596,146,601
Non-controlling interests	(983,369)	19,547
<b>Total comprehensive income for the year</b>	<b>732,457,285</b>	<b>596,166,148</b>
<b>Earnings per share</b>		
Basic earnings per share (in Baht)	2	1.05
		1.00

The accompanying notes are an integral part of these pro forma financial information.

# Notes to the Financial Information

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries  
For the years ended 31 December 2013 and 2012

This note to the financial information forms an integral part of the financial information.

The financial information was approved by the Director of MC GROUP PUBLIC COMPANY LIMITED on 26 February 2014.

## 1. Basis of preparation of the financial information

The consolidated statement of comprehensive income for the year ended 31 December 2013 and the pro forma consolidated statement of comprehensive income for the year ended 31 December 2012 ("financial information") of MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries ("the Group") which have been prepared by the Group's Management for the purposes to analyze the financial results of the Group and have not been prepared and presented as required by Thai Financial Reporting Standards.

The consolidated statement of comprehensive income for the year ended 31 December 2013 has been prepared based on the financial statements for the year ended 31 December 2013 which have been audited and expressed the unmodified opinion in the report dated 26 February 2014.

The pro forma consolidated statement of comprehensive income for the year ended 31 December 2012 has been prepared based on the pro forma financial information for year ended 31 December 2012 which has been reported and expressed the unmodified conclusion in the report dated 20 March 2013.

The financial information has been prepared based on the financial statements and pro forma financial information. Therefore, the financial information should be read in conjunction with the financial statements for the year ended 31 December 2013 which have been audited by the auditor, and pro forma information for the year ended 31 December 2012 which has been reported by the auditor.

The financial information contains pro forma consolidated statement of comprehensive income for the year ended 31 December 2012 which is prepared under the assumption that P.K. Garment (Import-Export) Co., Ltd., Mc Jeans Manufacturing Co., Ltd. and Winner Man Co., Ltd. have been under the control of MC GROUP from 1 January 2010. The pro forma consolidated statement of comprehensive income which is included in the financial information is not necessarily indicative of the results of operations or related effects on financial position that would have occurred had the transactions actually happened earlier because the preparation of the pro forma consolidated statement of comprehensive income includes certain assumptions. The users should be careful and take into consideration that the pro forma consolidated statement of comprehensive income may not be appropriate to be used for any other purposes.

## 2. Earnings per share

The calculations of basic earnings per share for the years ended 31 December 2013 and 2012 were based on the profit for the years attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the year. For the purposes of the calculations of the earnings per share, the weighted average numbers of shares for the year 2013 were 700,822 thousand shares and for the year 2012 were 600,000 thousand shares with the assumptions that such numbers of shares in 2012 had been issued throughout the year.



## General Information

<b>Company Name</b>	: MC GROUP Public Company Limited
<b>Head Office Address</b>	: 448, 450 On Nut Road, Prawet Sub-district, Prawet District, Bangkok 10250 Telephone: +66 (0) 2329-1051-6 Website: www.mcgroupnet.com
<b>Registration No.</b>	: 0107556000230
<b>Type of Business</b>	: MC GROUP Public Company Limited's core business is managing sales and distributions of apparel & lifestyle under its own brands and other brands as well as invest in other companies.
<b>Registered Capital</b>	: Baht 400,000,000
<b>Paid-up Capital</b>	: Baht 400,000,000 (made up of 800,000,000 common shares)
<b>Par Value</b>	: Baht 0.50
<b>Share Registrar</b>	: Thailand Securities Depository Co., Ltd. 4 <sup>th</sup> & 7 <sup>th</sup> Floor, The Stock Exchange of Thailand Building, 62 Ratchadapisek Road, Klongtoey, Klongtoey, Bangkok 10110 : Telephone: +66 (0) 2229-2800 : Fax: +66 (0) 2359-1262-3
<b>Auditor</b>	: KPMG Phoomchai Audit Limited : 50 <sup>th</sup> -51 <sup>st</sup> Floor, Empire Tower, 195 South Sathon Road, Yan Nawa, Sathon, Bangkok 10210 : Telephone: +66 (0) 2677-2000 : Fax: +66 (0) 2677-2222 : By Mr. Vichien Thamtrakul and/or Miss Bongkot Amsageam and/or Miss Orawan Sirirattanawong, Certified Public Accountant No. 3183, 3684 and 3757 respectively.
<b>Legal Advisor</b>	: Weerawong Chinnavat & Peangpanor Limited 22 <sup>nd</sup> Floor, Mercury Tower, 540 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 : Telephone: +66 (0) 2264-8000 : Fax: +66 (0) 2657-2222

For more information, investors may research in Annual registration statement (Form 56-1) that the Company disclosed on [www.sec.or.th](http://www.sec.or.th) or the Company's website: [www.mcgroupnet.com](http://www.mcgroupnet.com).







## **MC GROUP**

**MC GROUP Public Company Limited**

448, 450 On Nut Road, Prawet Sub-district, Prawet District,  
Bangkok 10250, Thailand  
Tel.: +66 (0) 2329-1051-56  
Fax: +66 (0) 2727-7287

[www.mcgroupnet.com](http://www.mcgroupnet.com)