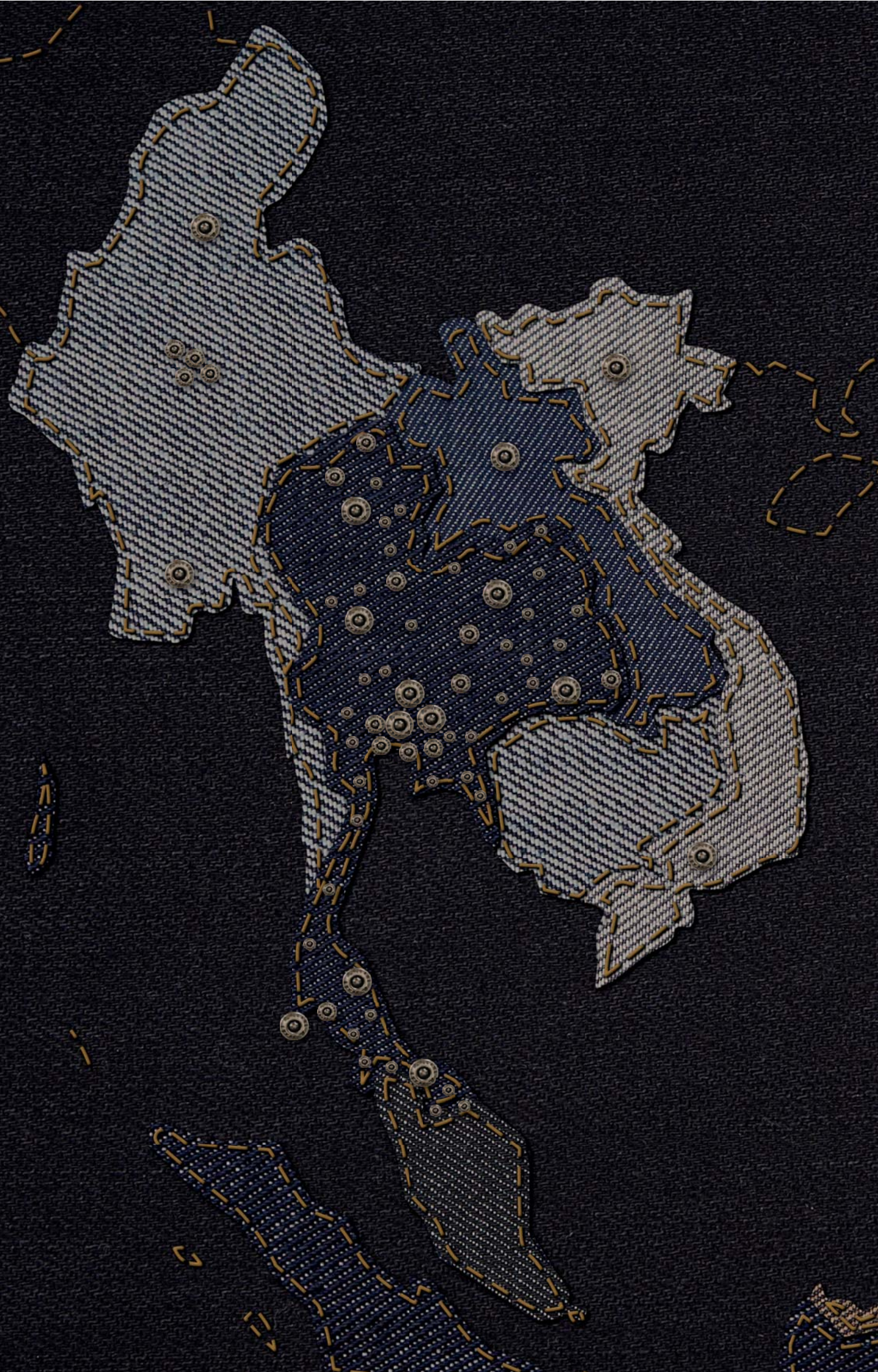


S I N C E
1975

2014 Annual Report
MC GROUP Public Company Limited



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VISION CORE VALUES

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.

CORE VALUE

DIVERSITY

OUT OF BOX

SYNERGY

APPRECIATE OTHER

PASSION



JEANS LOVERS

Mc brand ranked first in sales revenue in jeanswear for Thai market. Products under Mc brands are mostly denim products. With almost 40 years experience in jeans market especially in pattern making, “Mc Jeans” never ceases to make distinction in jeans market considering its superb quality and finesse. Moreover, pricing strategies as well as new product developments also contributed to the successful reach to all types of customers. Mc Jeans is by far the main revenue contributor of the Company.



McLadys

LET IT SHINE

The DNA of Mc Lady as the brand aims to serve the needs of female youth especially with its best-fitted patterns and feminine details. Mc Lady targets independent and fashionable young women aged between 18-25 years old including teenagers, university students and first jobbers.



McPink

GIRL'S COLOR

MC GROUP created Mc Pink as a women fashion product line. The brand aimed to cater to young women especially university students, and women between 18-25 years of age. The target group is characterized as fashionable, independent, sociable and with more frequent turnover of their clothing.



GO FOR UNIQUE **PASSION**

MC Group commenced on distributing premium products under the brand “The Blue Brothers”. The brand aims to offer uniqueness from quality, raw materials to bleaching methods that are different from basic jeanswear. “The Blue Brothers Denim Store” was opened as the first outlet for products under “The Blue Brothers” brand and other famous premium denim brands from abroad that are unique in design and style.



Bison

ONE FINE DAY

Bison targets young men with styles that customers can wear in their leisure time. The brand offers shirts and printed t-shirts with better value for money for customers through hypermarket channel.



Mc
mini

MY LITTLE WORLD

Mc Mini targets boys and girls between 6-12 years old. The brand does not compromise on its quality and offers adult-like quality products with more liveliness and fun.



365 DAYS OF STYLE

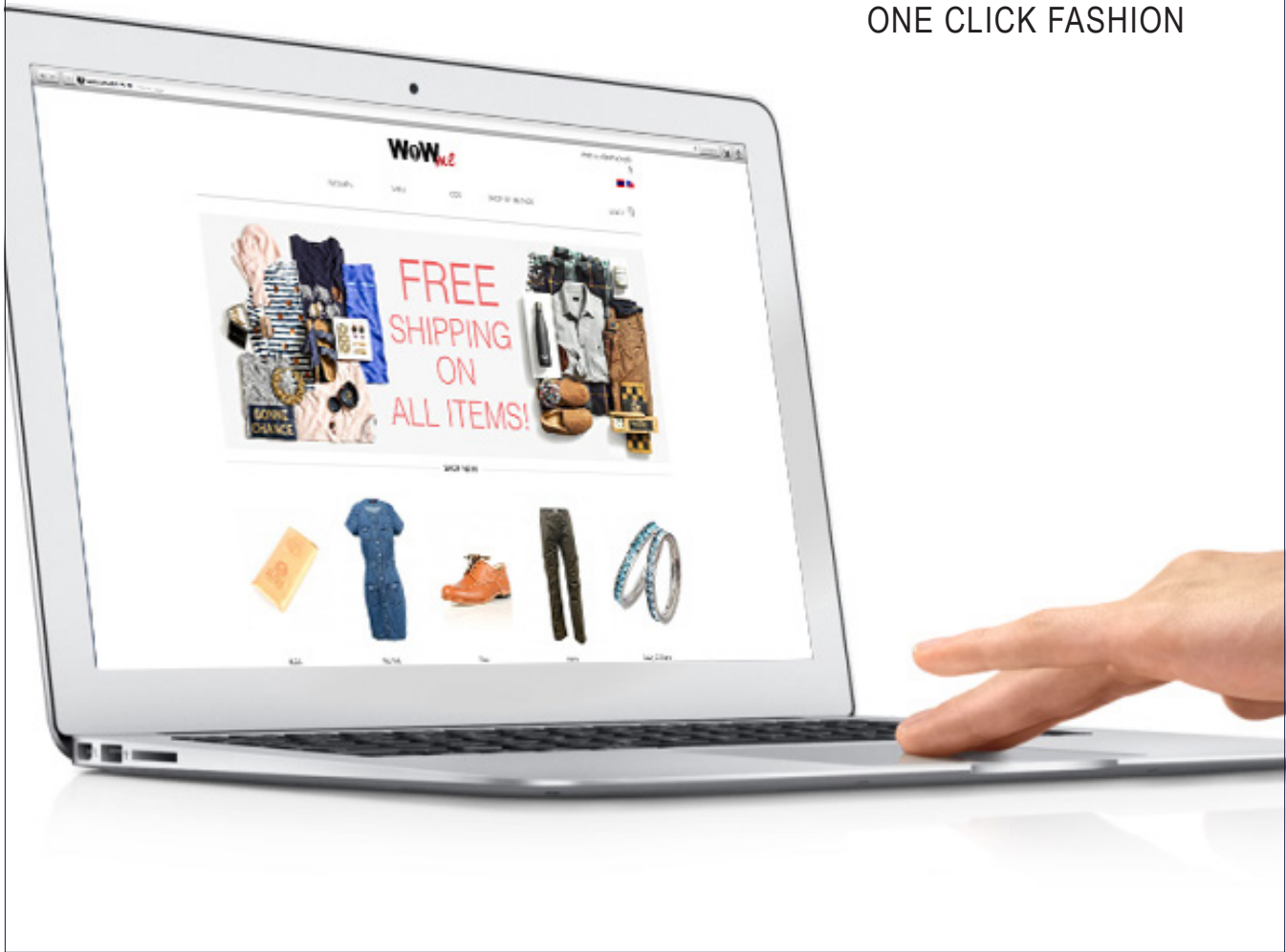
mc mc introduces simplicity to the customers for casual days and holidays. The brand emphasizes on the balance of prices and quality, perfect for target groups of all ages and genders under the concept “365 days of style with mc mc”

A close-up photograph of a man's hand resting on his chin. He is wearing a light grey button-down shirt. On his wrist is a Diesel chronograph watch with a black dial, multiple sub-dials, and a brown leather strap. The watch face has a carbon fiber texture. The background is a plain, light-colored wall.

timedeco

IDENTIFY **YOUR TIME**

MC Group offers fashion watch brands such as Diesel, DKNY, Emporio Armani through its acquisition of 51% ownership in Time Deco Corporation Limited catering to trendy men and women customers who look for fashionable and trendy watches that fit their personalities.



ONE CLICK FASHION

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.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTOR AND THE CHIEF EXECUTIVE OFFICER



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

To all shareholders and stakeholders

The Board of Directors, management and MC GROUP team would like to express how proud we are to gain trusts from our customers and cooperations from our business partners for another year. For the past 39 years, MC GROUP has weathered business storms and reached a number of important milestones thanks to the supports from all relevant parties. MC GROUP has grown continuously and firmly into a leader in jeanswear retail business and took a next step to become apparel and lifestyle retailer.

In 2014, the domestic situation was a challenging factor to the development of MC GROUP's business. Thailand was fraught with grim economic conditions from the political unrest during the first half, a deceleration of overall economic growth from a drop in agricultural products prices, lower-than-expected export growth to rising household debts. Business environment in Thailand was negatively impacted and this led to a slowdown in private and household consumption. Consequently, the overall retail business was jeopardized.

MC GROUP is still unwavering in its belief in growth potentials in apparel and lifestyle retail business despite the lower-than-targeted growth last year as we saw a great number of business opportunities presented in the market. MC GROUP stands by its key growth strategies to continue to expand and grow according to its plan. One of them is to expand sales channels and adopt new sales formats in order that the customers will have easier access to our products. At the end of 2014, number of points of sales stood at 819, additional 125 points of sales were opened throughout the year. Newly added points of sales are mainly free-standing shops that allowed us flexibility in store management as well as new brand introduction so as to better serve the different and changing demands of the consumers. This is in consonance with our vision to firmly enter apparel and lifestyle retail business.

Development and introduction of new products and brands also act as another vehicle that assists MC GROUP in further meeting the needs of different customers of different lifestyles and expand its reach to untapped market segments. In jeanswear market, even though MC GROUP carries one of the most extensive product offerings for all types of customers, we still spot gaps in the market that we can turn into business opportunities in the future. There is no wonder that more opportunities lie in the broader fashion and lifestyle market, not just denim wears.

While our domestic business still showed signs of strengths such as remarkable profits and clear growth potentials, our eyes are also on business expansion into emerging foreign markets with strong growth prospects with the purpose to increase revenue and profit generating capabilities. In 2014, we further secured a foothold in Vietnam following a successful expansion to Myanmar and Laos in 2013.

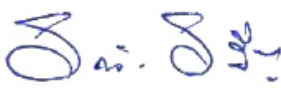
Apart from our domestic and international business expansion, organization development is also another focal point in our business strategy that we never neglect. MC GROUP promotes the implementation of information technology to shore up innovation and creativity in the organization. Information technology was adopted widely to support future business growth. Human resource development initiatives also contribute to the organization. MC GROUP believes that business growth and organization development will not be attainable without developments in its personnel

both on skills necessary to perform at work and general life skills.

Responsibilities to the society, communities and environment also play a significant role in current business environment and at MC GROUP we thrive to promote this value. MC GROUP truly believes that business and society go hand in hand and so does MC GROUP and Thai society. MC GROUP realizes the importance of this symbiotic relationship and dedicated its resources in supporting education and other social activities both directly and through other NGOs, with the aim to contribute to the sustainable development of Thai society.

I would like to take this opportunity to extend my sincere gratitude towards our management team and all our staff for their dedication, perseverance and teamwork during the past year as we overcame such difficulties under unfavorable economic backdrop and prepared ourselves for a recovery in 2015. I am confident that our solid foundations will enable us to develop and prosper in a sustainable manner for years to come.

To conclude, 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. We promise to deliver outstanding results with all our might under good corporate governance, honesty and transparency in order to sustainably and firmly create values for MC GROUP.



Sunee Seripanu

Chairman of the Board of Directors
and Chief Executive Officer

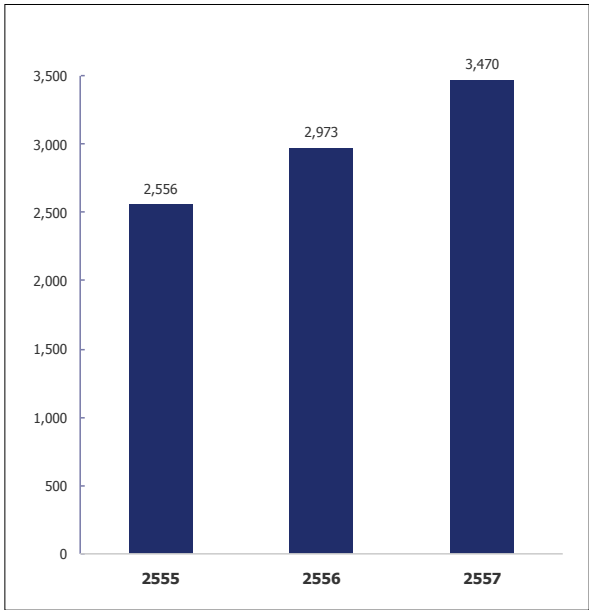


FINANCIAL SUMMARY

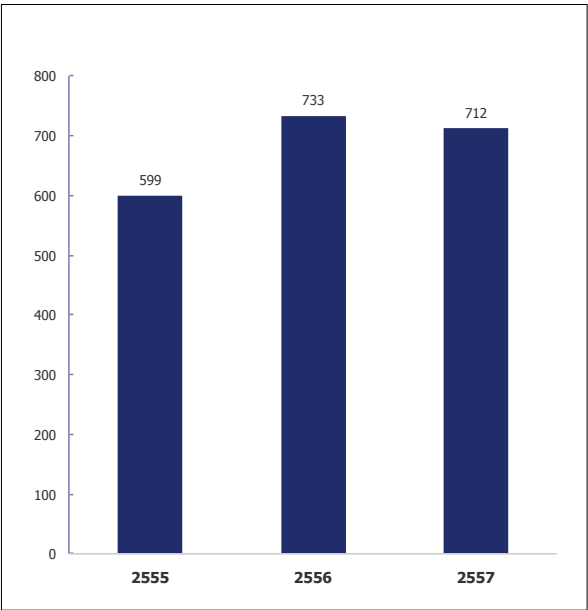
Summary of Financial Information (in THB millions)	Pro Forma Consolidated Financial Statements ^{1/}	Consolidated Financial Statements	
	2012	2013	2014
Statements of Comprehensive Income			
Revenue from sale of goods	2,556	2,973	3,470
Total income	2,564	3,017	3,538
Earnings before interest net, taxes, Depreciation and amortization	780	890	898
Net profit (loss)	599	733	712
Statements of Financial Position			
Total assets	2,013	4,652	4,857
Total liabilities	1,208	951	931
Total equity	806	3,614	3,819
	Pro Forma Consolidated Financial Statements ^{1/}	Consolidated Financial Statements	
	2012	2013	2014
Profitability (%)			
Gross profit margin	55.35	56.67	54.42
EBITDA margin	30.43	29.50	25.38
Net profit margin	23.37	24.31	20.12
Return on total assets	34.60	22.01	14.97
Return on total equity	87.99	33.19	20.24
Debt to Equity Ratios (Times)			
Interest-bearing debt to equity ratio	0.68	0.03	0.05
Total debt to equity ratio	1.50	0.26	0.26
Per Share Information^{2/} (THB)			
Book value per share	1.01	4.52	4.77
Earnings per share	0.75	0.92	0.89
Dividends per share	1.01	0.73	0.80

Notes: ^{1/} Assume that the company restructuring since 1 January 2010
 ^{2/} Assume total shares outstanding of 800 million with per value of THB 0.50 per share

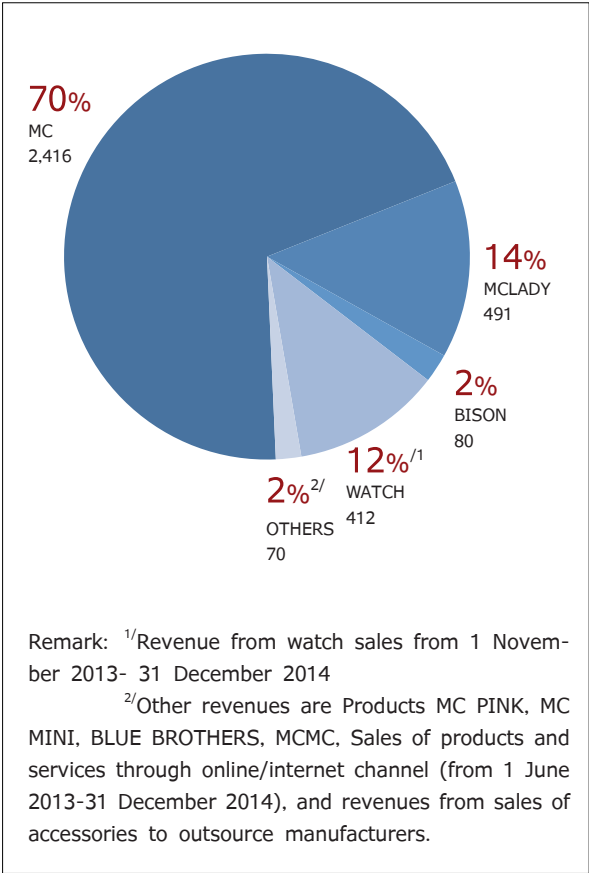
Revenue From Sales of Goods (in Baht million)



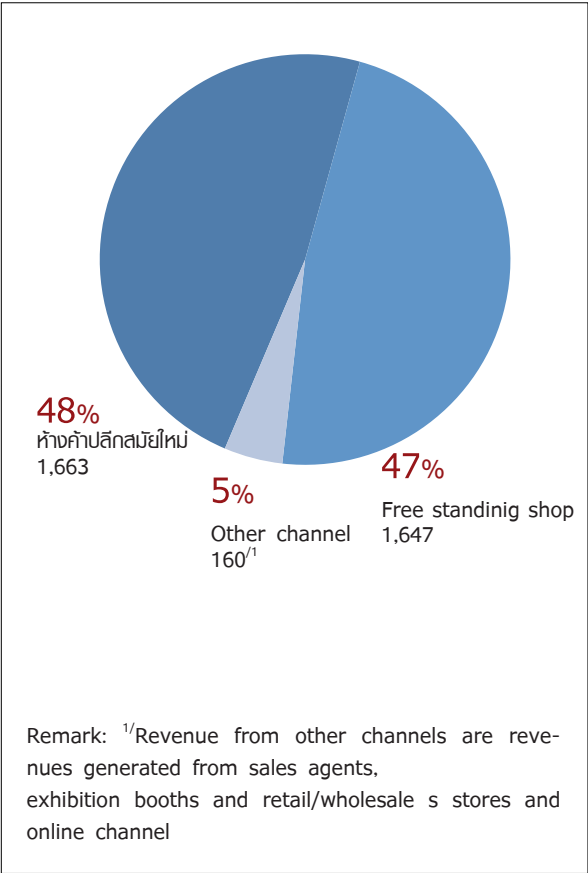
Net Profit (in Baht million)

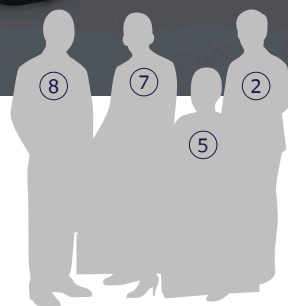


2014 Revenue Structure By Brands (in Baht million)



2014 Revenue Structure By Distribution Channels (in Baht million)





DIRECTORS AND EXECUTIVES

Ms. Sunee Seripanu

①

Chairman of the Board of Directors
Member of Executive Committee
Chief Executive Officer
50 years old
Appointed 24 April 2014

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)
- Director Certification Program (DCP), Class 172/2013, Thai Institute of Directors (IOD)
- Top Management Program, Class 15/2012, Capital Market Academy



Current directorship in other companies

- Chairman of the Board of Directors / Member of Executive Committee /Chief Executive Officer, Mc Group Plc
- Director, P.K. Garment (Import-Export) Co., Ltd.
- Director, McJeans Manufacturing Co., Ltd.
- Director, Winnerman Co., Ltd.
- Director, Wowme Co., Ltd.
- Director, Look Balance Co., Ltd.
- Director, Time Deco Corporation Co., Ltd.
- Director, Millennium (1975) Co., Ltd.
- President, Mc Group Foundation for Thai Society

Experience

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

Number of Companies with Current Directorship

- Listed company: -None-
- Other companies: 8 places

Director
Member of Executive Committee
Member of Nomination and Remuneration Committee
Member of Sustainable Development Committee
Chief Operating Officer,
52 years old
Appointed 24 April 2014

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/ Member of Executive Committee/ Member of Nomination and Remuneration Committee/ Member of Sustainable Development Committee /Chief Operating Officer, Mc Group Plc.
- Director, P.K. Garment (Import-Export) Co., Ltd.
- Director, McJeans Manufacturing Co., Ltd.
- Director, Winnerman Co., Ltd.
- Director, Wowme Co., Ltd.
- Director, Look Balance Co., Ltd.

Experience

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

Number of Companies with Current Directorship

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

Director
50 years old
Appointed 24 April 2014

Education/Training

- Master of Business Administration, Thammasat University
- Bachelor of Arts in Accounting, Thammasat University
- Director Accreditation Program(DAP), Class 34/2003, Thai Institute of Directors (IOD)
- Director Diploma Examination, The Australian Institute of Directors Association
- Chief Financial Officer Certification Program, 1st 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, Mc Group Plc
- Director, P.K. Garment (Import-Export) Co., Ltd.
- Director, Mc Jeans Manufacturing Co., Ltd.
- Director, Winner man Co., Ltd.
- Director, WoWme Co., Ltd.
- Director, Look Balance Co., Ltd.
- Director, Time Deco Corporation Limited.
- Chairman of the Board of Directors, Boutique Consulting Group Co., Ltd.
- Independent Director, T.K.S. Technology Plc
- Director, Dusit Thani Plc.
- Director, Boutique International Group Co., Ltd.
- Director, Boutique Property Group Co., Ltd.
- Director, Boutique Trading Group Co., Ltd.
- Director, Port Authority of Thailand
- Director/ Secretary / Treasurer, Kamchad-Pranee Mongkolkul Foundation.
- Graduate Member, Institute of Directors (IOD)

^{1/}Mrs. Pratana Mongkolkul resigned from Chairperson of Executive Committee of the Company on 14 November 2014

Experience

- Director, S&P Syndicate Co., Ltd.
- Chairman 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
- 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
- Audit Committee Program (ACP), Class 21/200, 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

- Independent Director/ Chairman of 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, McJeans Manufacturing Co., Ltd.
- Director, Winnerman Co., Ltd.
- Director, Wowme Co., Ltd.
- Chairman of Audit Committee Robinson Department Store Plc
- Chairman of Audit Committee M Link Asia Corporation Plc
- Chairman of Audit Committee Synnex (Thailand) Plc

Number of Companies with Current Directorship

- Listed company : 2 places
- Other companies : 12 places

Mr. Somchai Apiwattanapron

④

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

64 years old

Appointed 15 March 2013

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)

Number of Companies with Current Directorship

- Listed company : 3 places
- Other companies : 4 places

Independent Director
Member of Audit Committee
Member of Risk Management Committee

64 years old

Appointed 15 March 2013

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, 1st Class, Office of The National Broadcasting and Telecommunications Commission (NBTC)

Current directorship in other companies

- Independent Director/ Member of Audit Committee/ Member of 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 company : -None-
- Other companies : 7 places

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

50 years old

Appointed 15 March 2013

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

- Independent Director/ Member of Audit Committee/ Member of Risk Management Committee/ Member of Nomination and Remuneration Committee, Mc Group Plc.
- Independent director/member of audit committee, member of 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 Mazda (Thailand) Co., Ltd.
- Director, Sime Darby Vantage (Thailand) Co., Ltd.
- Director, Sime Darby Auto Services 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, S.C. Law Office Co., Ltd.

Number of Companies with Current Directorship

- Listed company : 3 places
- Other companies : 15 places

Mr. Surasak Khaoroptham

(7)

Director
Chairman of Sustainable Development Committee

49 years old

Appointed 24 April 2014

Education/Training

- Master of Business Administration, University of Pennsylvania, USA
- Master of Science, Operation Research, University of Michigan, USA
- Bachelor of Electrical Engineering King Mongkut's Institute Technology Ladkrabang
- Director Accreditation Program (DAP) class 9/2004

Current directorship in other companies

- Director/ Chairman of Sustainable Development Committee, Mc Group Plc.
- Managing Director, Private Equity (Thailand) Co., Ltd.
- Director, SNC Former Plc.
- Director, Asiasoft Corporation Plc.
- Independent Director/ Member of the Nomination & Remuneration Committee, Somboon Advance Technology Plc.
- Managing Director, Altus Advisory Co., Ltd.

Number of Companies with Current Directorship

- Listed company : 3 places
- Other companies : 2 places

General Vichit Yathip

(8)

Independent Director

68 years old

Appointed 14 November 2014

Education/Training

- Master of Political Science, Bangkokthonburi University
- Command and General Staff College class 60
- BA., Chulachomklao Royal Military Academy class 20
- Armed Forces Academies Preparatory School class 9
- Director Certification Program (DCP) class 105/2008
- National Defence Program, Joint Public-Private Sectors, Class 9, the National Defence College.
- Modern Management class 1, the National Defence College.
- Top Management Program, Class 7/2008, Capital Market Academy
- Politics and Governance in Democratic Systems for Executives class 12 , King Prajadhipok's Institute
- Top Executive Program in Commerce and Trade class 3, Commerce Academy

Current directorship in other companies

- Independent Director, Mc Group Plc.
- Independent Director/ Member of Audit Committee, Bangkok Airways Plc.
- Chairman of the Board of Directors, Nippon Pack (Thailand) Plc.
- Independent Director/ Member of Audit Committee, Vanachai Group Plc.
- Independent Director/ Member of Audit Committee, Three Sixty Five Plc.
- Chairman of the Advisor, Tipco Group
- Graduate Vice President, Nakhon Phanom University Council
- Director, Eastern Asia University Council
- Director, Thai-Chinese Culture And Economy Association

Number of Companies with Current Directorship

- Listed company : 4 places
- Other companies : 4 places

BACKGROUND AND KEY DEVELOPMENTS

Background

1975

- Inaugurated the brand “Mc”

1980

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

2012

- Reorganized business structure to support future expansion through establishing “Mc Group Public Company Limited” with 300 million baht 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.

2013

- 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.
- Incorporated “WoWme Limited” to support the expansion to online business.
- Founded “Look Balance Co., Ltd.” to support its new business ventures in lifestyle products.
- Transformed into public company limited under “MC GROUP PLC” and increased its registered capital to 400 million baht.
- Listed with the Stock Exchange of Thailand and commenced its trading in SET under the name “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.

2013

- “MC” was included in MSCI Global Small Cap Indices.
- Launched “Mc Pink” brand to reach young female target group with fashion apparels.
- Premiered “Mc Mini” brand to target children segment between 6-12 years old.
- Premiered “The Blue Brothers” brand that was aimed to expand into premium segment.
- Launched “mcmc” brand to offer value-for-money products to all types of customers.
- Expanded into lifestyle business (watches) by acquiring 51% shares in Time Deco Corporation Limited through Look Balance Co., Ltd. Time Deco Corporation Limited is one of the leading importer and distributor of fashion watch brands from around the world such as Diesel, DKNY, Emporio Armani.

KEY CHANGES AND DEVELOPMENTS

Key Changes and Developments in 2014

Throughout 2014, MC GROUP committed to maintain leadership in jeans wear market as well as aggressively diversify into lifestyle retail business emphasizing on continuous expansion of its business scope to cover broader groups of customers who have various needs.

2014

March - Appointed sales agents to distribute MC GROUP's products in Vietnam.



June - Officially opened "The Blue Brothers Denim Store", MC GROUP's first premium store.

2014

July - Officially opened "The Blue Brothers Denim Store", MC GROUP's first premium store.



September - Launched "Mc mini girls" line of products under "Mc mini" brand to extend its customer base from 6-12 years old boys to girls of the same age range.

Mc +
PLUS

December - Introduced "Mc Plus" under "Mc" brand to the market to reach new target group of plus size 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, convenient sales channels and quality service.

MC GROUP’s business plan outlined its financial targets in the future including average revenue growth of 20% per annum from 2014-2018 and capacity enhancement to maximize profitability. The following strategies will be implemented thoroughly to achieve the mentioned targets

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

MC GROUP will focus on designing and extending product varieties to meet its customers’ needs for all customer groups. In addition, it will also emphasize on building brand to better promote the products to the customers.

Besides, MC GROUP has a plan to extend its product offerings to tap into new market segment. In 2014, two new lines of products were introduced to cater to niche markets: “Mc Plus” for customers with certain sizes and “Mc Edition” as business casual style for everyday wear.

2. Sales Channel Strategy

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

MC GROUP sets 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 2014, MC GROUP had in total 819 points of sales and planned to add 70 more points of sales per year focusing mainly on its free standing shops due to better flexibility in shop and inventory management, convenience in logistics as well as higher profitability through effective cash cycle management.

Driven by its sales channel expansion strategy, MC GROUP will gain better access to wider groups of customers while make shopping experience more convenient to the customers. In opening new stores, MC GROUP analyzed all relevant factors including location, population, target customers and purchasing power.

2.2 Expand to online channel

WoWme Co., Ltd, a subsidiary of MC GROUP launched its online/internet channel 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.

3. Expand into foreign markets to cover all countries under Asian Economic Community (AEC)

Our current ASEAN footprint includes appointed sales agents in Myanmar, Laos and Vietnam. We target to expand further to other markets under AEC including Indonesia, Malaysia as well as 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.

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

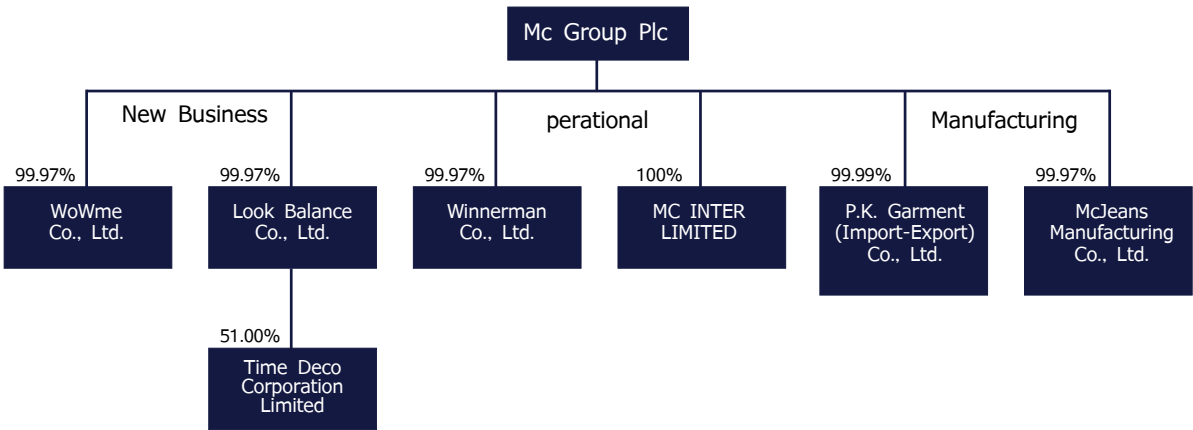
MC GROUP is still active in searching for M&A and joint venture opportunities in related businesses. We focus on both domestic and foreign businesses with clear synergies that support our expansion to ASEAN countries under proper investment and return conditions.

5. Emphasize on efficiency improvement in management

MC GROUP put importance on all of its business units from raw material sourcing, production line management, finished product management to product distribution. Process improvement and implementation of information technology are key to enhance production efficiency, distribution effectiveness as well as reduce time-to-market of the products.

In addition to the stated strategies, MC GROUP recognized that human resource development is a key catalyst in supporting its business growth. Our human capital strategy covers talent acquisition to competency development to promote career advancement in the organization. Additionally, fair compensation and benefits management and transparent performance management are also stressed to engage and incentivize our employees.

Shareholding Structure of the Group of Companies

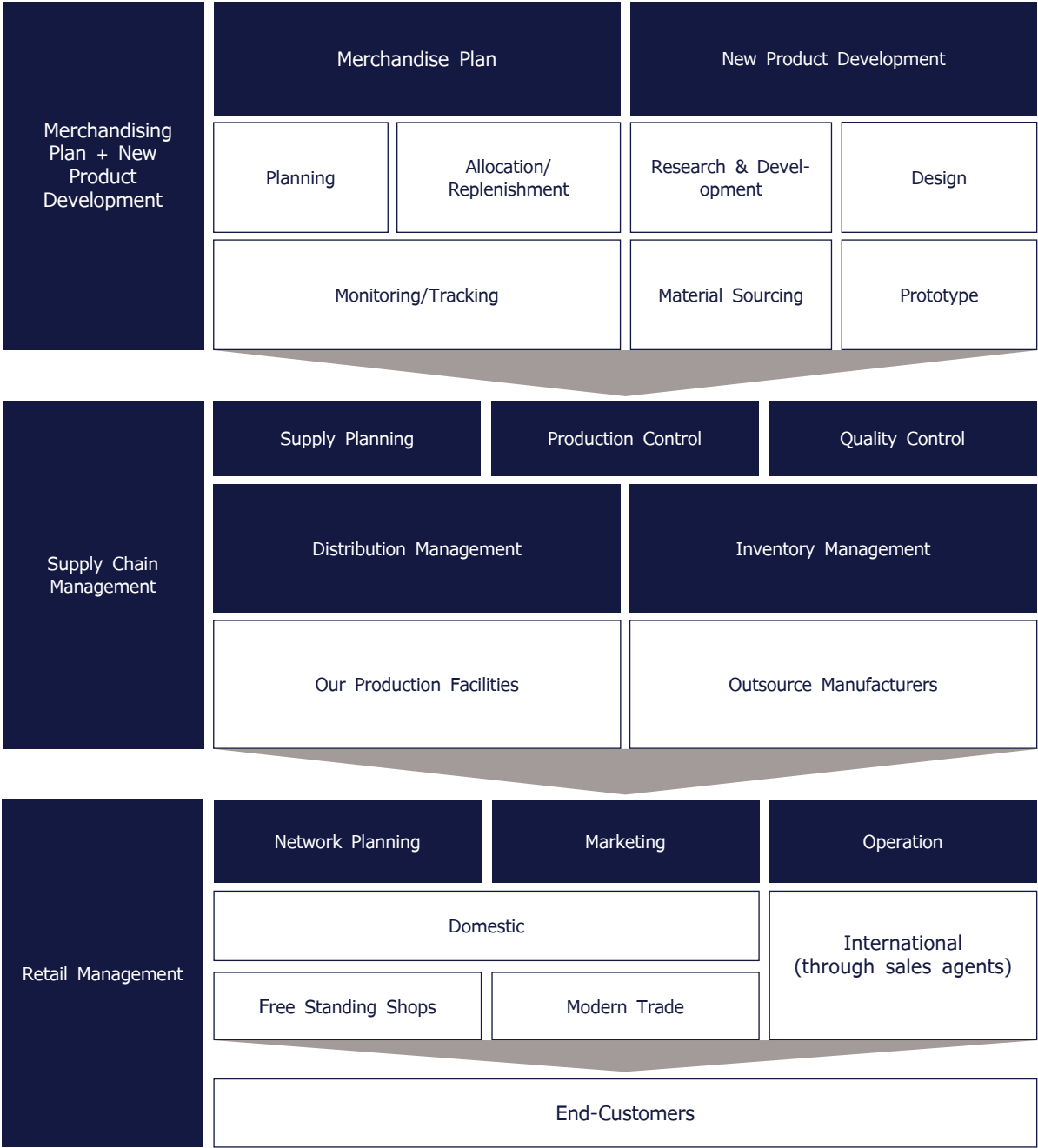


Company Profile: Mc Group and Subsidiaries

Company Name	Registered Capital (million baht)	Business	% Shareholding
Mc Group Plc	400,000,000	Manages sales and distribution of ready-to-wear clothing and apparel.	-
P.K. Garment (Import-Export) Co., Ltd.	250,000,000	Manufactures ready-to-wear denim pants	99.99%
Winnerman 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 Co., Ltd.	1,000,000	Distributes products and services through online/internet channel	99.97%
Look Balance, Co., Ltd.	213,000,000	Invests in other businesses	99.97%
Time Deco Corporation Limited	20,410,000	Imports and distributes leading fashion watches from all over the world	51.00%
MC INTER LIMITED	1 HK dollar	Not yet in operation. Established to support future business operations and investments in foreign countries	100%

BUSINESS MODEL

MC GROUP operates in apparel and lifestyle retail business under the group of companies’ own brands and non-owned brands. The business scope covers brand management, sales and marketing management, design, product sourcing, warehouse management to product distribution for all kinds of products. Its business model can be summarized in the following diagram.



Successfully growing its business through nation-wide sales network, MC GROUP realized the importance of value creation in distributing its brands through strong sales network as it supports business expansion as well as promotes product variety. Our business model stressed the importance of following functions:

Merchandising Plan and New Product Development

First and foremost, merchandising plan and new product development are the bedrock of our business model. Customers' demand analysis is conducted to keep abreast of fashion trend, trending styles to changes in consumer behavior overtime so MC GROUP can understand, develop and offer products or brands that best fit customers' needs. Additionally, demand planning as well as raw material sourcing are keys to quality control, cost management and thus our competitiveness. MC GROUP also works closely with suppliers and manufacturers to ensure the quality of all the brands and products.

Supply Chain Management

Relating to clothing and other 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 of good rapports with these manufacturers. Thanks to these 40 years in the business, MC GROUP managed to excel in production control, quality control and product sourcing and never fails to find right products on-time to cater to forecast demand.

For watch business, MC GROUP acts as an agent and directly makes orders from brand owners. Therefore, MC GROUP is able to estimate monthly sales and make monthly orders that are aligned with customers' demand. Besides, inventory management and transportation and logistics are equally focused to deliver our products efficiently to our points of sales.

Retail Network Management

MC GROUP put importance on managing its retail network to reach all types of customers. The Company focuses on expanding its retail network especially its free standing shops. MC Group assigned a dedicated team who is directly responsible for network planning. This capable team is tasked to determine measurable screening criteria as well as location analysis based on various data points related to its revenue generating capability. The team later performs evaluation and analysis of every location. Network planning covers not only domestic market but also foreign markets where the Company currently appointed experienced sales agents to be its representatives. The Company currently has its presence in Myanmar, Laos and Vietnam while Indonesia, Malaysia and Cambodia are our next destinations in the coming years.

In addition to stated traditional sales network, the Company succeeded in setting up other new channels that serve customers directly. Mobile unit, open kiosk and online channel were designed to serve this purpose to become alternative channels for customers apart from expanding spaces in best seller locations.

The Company also planned to implement its new Information technology to effectively handle its inventories. In line with the consolidation of warehouses into one distribution center, the first phase of IT implementation is due to be completed by the first quarter of 2015.

Products and Services

MC GROUP's Brands and Products

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

According to Jeans Business in Thailand research report from Thai Business Management Association (TMA), Mc brand ranked first in sales revenue in jeanswear for Thai market. Products under Mc brands are mostly denim products. With almost 40 years experience in jeans market

especially in pattern making, “Mc Jeans” never ceases to make distinction in jeans market considering its superb quality and finesse. Moreover, pricing strategies as well as new product developments also contributed to the successful reach to all types of customers. Other new product lines such as Mc Edition and Mc Plus were premiered under Mc Jeans brand to cater to niche markets. Given its brand’s strength and continuous development of new product lines, Mc Jeans is by far the main revenue contributor of Mc Group, making up 69.7% of total sales revenue in 2014.

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

The DNA of Mc Lady as the brand aims to serve the needs of female youth especially with its best-fitted patterns and feminine details. Mc Lady targets independent and fashionable young women aged between 18 - 25 years old including teenagers, university students and first jobbers. In 2014, Mc Lady contributed to 14.2% of the total sales revenue.

3. Apparels and related wears under “Bison” brand

Bison targets young men with styles that customers can wear in their leisure time. The brand offers shirts and printed t-shirts with better value for money for customers through hypermarket channel. The Company earned 2.3% of its total sales revenue from Bison brand in 2014.

4. Apparels and related wears under “MC Pink” brand

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

5. Apparels and related wears under “Mc Mini” brand

Mc Mini was successfully launched in April 2013 targeting boys and girls between 6-12 years old. Customer responses were better than expected as parents tend to pay more attention to their kids choices of clothing. Mc Mini does not compromise on its quality and offers adult-like quality products with more liveliness and fun.

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

mc mc introduces simplicity to the customers for casual days and holidays. The brand emphasizes on the balance of prices and quality, perfect for target groups of all ages and genders under the concept “365 days of style with mc mc”

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

In 2013, Mc Group commenced on distributing premium products under the brand “The Blue Brothers”. The brand aims to offer uniqueness from quality, raw materials to bleaching methods that are different from basic jeanswear. In addition, details in all production processes and handcraft delicacy are focused to cater specifically to jeans lovers who seek distinctiveness under affordable prices. Later in December 2013, the first “The Blue Brothers Denim Store” was opened to at K-Village as the first outlet for products under “The Blue Brothers” brand and other famous premium denim brands from abroad that are unique in design and style. Those brands include Dstrezzed, Kuyichi, and King of Indigo (K.O.I.)

8. Watch brands from around the world

Mc Group offers fashion watch brands such as Diesel, DKNY, Emporio Armani through its acquisition of 51% ownership in Time Deco Corporation Limited catering to trendy men and women customers who look for fashionable and trendy watches that fit their personalities. Sales revenue from Time Deco Corporation Limited accounted for 11.9% of total sales revenue in 2014.

1. Revenue Structure by Product

Consolidated Financial Statements (*pro forma)	2012*		2013		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from ready-to-wear clothing and related apparels						
1. Mc	1,998.6	78.2	2,259.4	76.1	2,416.3	69.7
2. Mc Lady	467.6	18.3	495.7	16.7	491.5	14.2
3. Bison	86.1	3.4	120.2	4.0	80.1	2.3
4. Mc Pink	-	-	12.5	0.4	24.5	0.7
5. Mc Mini	-	-	8.5	0.3	21.3	0.6
6. Other Brands	-	-	3.0	0.1	18.3	0.5
7. Revenue from sales of raw materials ^{1/}	3.3	0.1	4.0	0.1	5.0	0.1
Subtotal	2,555.6	100.0	2,903.3	97.7	3,057.0	88.1
Revenue from lifestyle products						
1. Revenue from online channel ^{2/}			2.1	0.1	1.0	0.0
2. Revenue from watch sales ^{3/}	-	-	67.4	2.2	412.0	11.9
Total Sales Revenue	2,555.6	100.0	2,972.8	100.0	3,470.0	100.0

Remark : ^{1/}Other revenues are mainly from sales of accessories to outsource manufacturers

^{2/}Revenue from sales of products and services through online/internet channel from 1 June 2013-31 December 2014

^{3/}Revenue from watch sales from 1 November 2013- 31 December 2014

2. Revenue Structure by Sales Channel

Consolidated Financial Statements (*pro forma)	2012*		2013		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Modern trade	1,771.1	69.3	1,783.9	60.0	1,662.7	47.9
2. Free standing shop	729.5	28.5	1,140.0	38.4	1,647.0	47.5
3. Other channels ^{1/}	55.0	2.2	48.9	1.6	160.3	4.6
Total Sales Revenue	2,555.6	100.0	2,972.8	100.0	3,470.0	100.0

หมายเหตุ: ^{1/} Revenue from other channels are revenues generated from sales agents, exhibition booths and retail/wholesales stores and online.

Target Customers

Top ten customers in terms of sales revenue are large-sized modern trade customers with revenue made up for 46.1%, 40.6% and 30.7% of total sales revenue in 2012, 2013 and 2014 respectively.

With regard to revenue by geography of end-customers, upcountry customers contributed to 80.5%, 76.0% and 53.0% of total sales revenue in 2012, 2013 and 2014 respectively.

Sales Channel

As of 31 December 2014, Mc Group distributed all its products across 819 points of sales in Thailand and 21 points of sales internationally 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” and/or “Mc Lady” and/or “Mc mini” and/or “Bison” and/or “The Blue Brothers”

- Free standing shop that distributes fashion woman ready-to-wear clothing under “Mc Pink” and/or “Mc Lady”

- Free standing shop that distributes everyday wears for men, women, boys and girls under “mc mc”

- “The Blue Brothers Denim Store” that distributes premium denim products for high purchasing power customers under “The Blue Brothers”.

- 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 and Container: 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 new shops.

4. Other domestic channels: These channels include sales booths in exhibitions or other festive events.

5. Appointed sales agents in foreign markets: Mc Group extended its reach outside Thailand by appointing foreign sales agent to execute sales and marketing of its products starting with Myanmar and Laos since 2012 and Vietnam since April 2013. The Company planned to go into other markets in AEC such as Indonesia, Malaysia and Cambodia in the near future. At the end of December 2014, Mc Group had 21 points of sales in foreign markets- 18 in Myanmar, 1 in Laos and 2 in Vietnam.

6. Online/Internet channel: Mc Group launched website www.wowme.co.th with the purpose of entering online market. This internet channel is operated by Wowme Co., Ltd., a subsidiary of Mc Group Plc. (99.97% ownership).

Number of point of sales by company for 2012, 2013 and 2014
Clothing and apparels under “Mc Group”

By Channel	2012		2013		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Free standing shop	117	22.9	174	28.0	232	31.7
Modern trade	394	77.1	439	70.2	472	64.7
Mobile Unit and Container	-	-	1	0.2	5	0.7
Subtotal-domestic points of sales	511	100.0	614	98.4	709	97.1
Point of sales in foreign markets	-	-	10	1.6	21	2.9
Total	511	100.0	624	100.0	730	100.0

Watches under “Time Deco”

By Channel	2012		2013		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Free standing shop	-	-	13	18.6	19	21.3
Modern trade	-	-	57	81.4	70	78.7
Total	-	-	70	100.0	89	100.0

Number of point of sales by geography for 2011, 2012 and 2013
Clothing and apparels under “Mc Group”

By Geography	2012		2013		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Upcountry	362	70.8	451	72.3	499	68.3
- Free standing shop	93	18.2	137	22.0	169	23.1
- Modern trade	269	52.6	314	50.3	330	45.2
Bangkok and vicinities	149	29.2	162	26.1	250	28.1
- Free standing shop	24	4.7	37	6.1	63	8.6
- Modern trade	125	24.5	125	20.0	142	19.5
Mobile Unit and Container	-	-	1	0.0	5	0.7
Subtotal-domestic point of sales	511	100.0	614	98.4	709	97.1
Point of sales in foreign markets	-	-	10	1.6	21	2.9
Total	511	100.0	624	100.0	730	100.0

Watches under “Time Deco”

By Geography	2012		2013		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Upcountry	-	-	28	40.0	47	52.8
- Free standing shop	-	-	5	7.1	10	11.2
- Modern trade	-	-	23	32.9	37	41.6
Bangkok and vicinities	-	-	42	60.0	42	47.2
- Free standing shop	-	-	8	11.4	9	10.1
- Modern trade	-	-	34	48.6	33	37.1
Total	-	-	70	100.0	89	100.0

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. 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 whenever appropriate.

Product Sourcing

Mc Group has set policy guidelines in product sourcing to ensure the efficiency. 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 jeanswear and fashion products that need new bleaching 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 priority 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 set up responsible unit to specifically monitor and manage environmental impacts and ensure that the Company strictly follows measures in controlling and preventing environmental impacts as follows:

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 BE 2535 (1992).

With regard to the sourcing of watch products, the Company acts as the distributor and orders the products directly from foreign brand owners. 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

No wonder that 2014 was another tough year that many challenges for apparel and lifestyle product retail business emerged. Political instability during the first half, agriculture product price-led economic slowdown and unsatisfactory export growth together resulted in deceleration in private and household spending. The National Economic and Social Development Bureau estimated that Thailand's GDP expanded at an anemic rate of merely 1.0% while household consumption barely nudged at 0.7%. Unfortunately, apparel and lifestyle product retail business could not avoid this economic downward pressure.

Additional to macro views, Thai consumer behavior continues to adapt 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 shoppers. Urban lifestyle is widely adopted in upcountry where consumers require convenience in order to make purchasing decisions. Moreover, consumers became as active and responsive to fashion trend thanks to technology that vastly improved access to fashion both locally and internationally. Consumers are wiser to make more informed decision while they seek to find products that are new, and relevant. Market players both Thai and foreign sought to open more and more shops and stores that intensified the competition in the industry.

Unfavorable economic backdrop made it extra competitive in apparel and lifestyle product retail business last year. Most retailers put more effort in acquiring customers and maintain their market share and do their best with their sales promotion strategies.

Overview of Apparel and Lifestyle Products Retail Business Under AEC (ASEAN Economic Co-operations)

2015 will be the year that AEC (ASEAN Economic Community), the economic cooperation of 10 participating countries will commence. The AEC will transform the region into one big market of 600 million populations with free movement of goods, services, and skilled labour.

As working population of ASEAN and their income is trending upwards, their consumption behaviour is likely to move towards more urban living lifestyle. Consequently, these consumers present higher potentials to the retailers as they change their preferences to better quality products with better images. Besides, fewer restrictions will result in greater number of tourists that will further fuel border trades and employment.

This liberalization under AEC is expected to drive up competition in retail business in Thailand and make Thai retailers more active and responsive to the market. However, this is also an opportunity for Thai players to find right business partners to build a strong network.

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:

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

1.1 Risks from intense competition

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, MC Group 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.

1.2 Risks from changing customers' preferences in fashion products

Changing customer tastes, preferences, and lifestyles especially in fashion industry have a big impact on the sales of fashion items offered by the Company.

MC Group 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.

2. Business Risks

2.1 Risk of deviations from business growth strategies

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

MC Group's board and management team has emphasized the importance of these business planning and growth strategies through the introduction of new products, expansion of sales footprint both locally and internationally, and efficiency in raw material sourcing 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.

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

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

Top ten customers of MC Group are big retailers in modern trade which have provided a business over a long period under good relationships. However, we 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.

2.3 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, MC Group 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.

3. Risks related to Product Sourcing

3.1 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 our major raw material for production.

Nevertheless, as the biggest user of jeans, MC Group 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.

3.2 Risk from reliance on leasing factory and other assets

The fact that MC Group leased factories and other assets to operate the business gave rises to risks of reliance in business operations. Leasing provides more flexibility and additional advantages in moving production base in the future. However, the Company have considered owning a factory as an option depending on the business expansion opportunities.

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

4.1 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, MC Group is confident that its 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.

4.2 Risk from rental contract renewal

MC Group normally rent retailing spaces to build free standing shops with an average rental term 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.

4.3 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.

SECURITIES INFORMATION AND SHAREHOLDERS

Registered Capital and Paid-up Capital

As of 30 December 2014, the Company has shareholding structure as follows

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

Shareholders

7.2.1 Majority Shareholders

List of top ten majority shareholders as of 30 December 2014 is summarized below

No	Shareholder	Number of Shares	%
1.	Ms. Sunee Seripanu	356,511,500	44.56
2.	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, FUND SERVICES DEPARTMENT	72,820,000	9.10
3.	MINDO ASIA INVESTMENT LIMITED	70,000,000	8.75
4.	Mrs. Pratana Mongkogkul	31,471,000	3.93
5.	RBC INVESTOR SERVICES TRUST	17,292,900	2.16
6.	Mr. Virach Seripanu	14,800,000	1.85
7.	THAI NVDR CO., LTD	10,587,500	1.32
8.	Aberdeen Small Cap Fund	8,250,900	1.03
9.	N.C.B.TRUST LIMITED-POHJOLA BANK PLC CLIENT A/C EUR	81,34,900	1.02
10.	Ms. Niramol Na Songkhla	8,000,000	1.00

The majority shareholders that can influence policy setting, management and directions of the Company are Ms. Sunee Seripanu, Mrs. Pratana Mongkogkul and Mr. Virach Seripanu. This group of majority shareholders together owns 50.34% of the Company.

Foreign Limit

The Company has set foreign limit of shareholding at 49% of paid-up capital. As of 30 December 2014, foreign shareholders of the Company held 20.55% of paid-up capital.

Type of Shareholders	Number of Shares	%
Thai shareholders	612,598,500	76.57
Foreign shareholders	187,401,500	23.43
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 2014, the Board of Directors consisted of 8 members-2 executive directors and 6 non-executive directors as summarized below.

Name	Title/Position	Board Meeting Attendance in 2014
1. Ms.Sunee Seripanu	Chairman of the Board of Directors/ Member of Executive Committee	6/6
2. Mr.Virach Seripanu	Director/ Member of Executive Committee, Member of Nomination and Remuneration Committee/ Member of Sustainable Development Committee	5/6
3. Mrs.Pratana Mongkolkul	Director	6/6
4. Mr.Somchai Apiwattanaporn	Independent Director / Chairman of Audit Committee/ Chairman of Risk Management Committee/ Chairman of Nomination and Remuneration Committee	6/6
5. Mrs.Jamnan Siritan	Independent Director/ Member of Audit Committee/ Member of Risk Management Committee	5/6
6. Mr.Supasak Chirasavinupapand	Independent Director/ Member of Audit Committee/ Member of Risk Management Committee/Member of Nomination and Remuneration Committee	6/6
7. Mr ² Surasak Khaoroptham	Director/ Chairman of Sustainable Development Committee	5/6
8. Gen.Vichit Yathip	Independent Director	0/6

Notes: ¹Mr. Surasak Khaoroptham was appointed as Director on 24 April 2014.
²Gen Vichit Yathip was appointed as Director on 14 November 2014.

Directors who are authorized to sign on behalf of the Company are Ms. Sunee Seripanu, Mr. Virach Seripanu, Mrs. Pratana Mongkolkul and Mr. Surasak Khaoroptham. 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 4 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 (4 out of 8) 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 31 December 2014 MC GROUP Plc consists of 6 executives as follow

Name	Title/Position
1. Ms.Sunee Seripanu	Chief Executive Officer Chief Marketing Officer (Acting)
2. Mr.Virach Seripanu	Chief Operating Officer
3. Ms.Sangkae Hanvanich	Deputy Chief Executive Officer Chief Supply Chain Officer(Acting)
4. Ms.Kantima Lerlertyuttitham	Deputy Chief Operating Officer
5. Ms.Yupin Luisir	Chief Information Technology Officer
6. Ms.Peyanuch Prepraemvatana	Senior Vice President, Finance & Accounting

Corporate Secretary

At the Board of Directors Meeting No.3/2014, the Board of Directors has appointed Ms. Oraya Uesakul 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 2014 Annual General Meeting on 24 April 2014, remuneration for directors was set as follow: Chairman of the Board of Directors will receive 20,000 baht monthly remuneration plus 80,000 baht meeting allowance per meeting. Directors will receive 10,000 baht monthly remuneration and 50,000 baht meeting allowance per meeting. Directors’ bonus is limited at 5 million baht per year depending on the performance as evaluated by previously-set Key Performance Indicator (KPI) against performance targets. Additionally, Chairman of Audit Committee and Chairman of Risk Management Committee will receive 15,000 baht monthly remuneration plus 30,000 baht meeting allowance per meeting. Members of Audit Committee and Risk Management Committee will receive 10,000 baht monthly remuneration plus 20,000 baht meeting allowance per meeting. Members of Nomination and Remuneration Committee will receive a total remuneration of 50,000 baht per year.

In 2014, directors of the Company, totaling 8 persons, received paid financial remuneration of 6,629,994 baht. Details of Board Meeting attendance and remuneration for directors in 2014 are summarized in the table below.

Directors' Name	Title/Position	2014 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	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. Ms. Sunee Seripanu	Chairman of the Board of Directors / Member of Executive Committee	Risk Management Committee	Nomination and Remuneration Committee	Nomination and Remuneration Committee	Board of Directors	Audit Committee and Risk Management Committee	Nomination and Remuneration Committee	Nomination and Remuneration Committee	170,000	Risk Management Committee				917,142
2. Mr. Virach Seripanu	Director/ Member of Executive Committee, Member of Nomination and Remuneration Committee/ Member of Sustainable Development Committee	Risk Management Committee	Nomination and Remuneration Committee	Nomination and Remuneration Committee										
3. Mrs .Pratana Mongkolkul	Director	5/6	X	X	X	120,000	X	X	170,000	300,000	X	300,000	357,142	827,142
4. Mr. Somchai Apiwat-tanapron	Independent Director / Chairman of Audit Committee/ Chairman of Risk Management Committee/ Chairman of Nomination and Remuneration Committee	6/6	5/5	3/3	X	120,000	180,000	50,000	350,000	300,000	150,000	450,000	357,142	1,157,142
5. Mrs. Jamnan Sirtan	Independent Director/ Member of Audit Committee/ Member of Risk Management Committee	5/6	5/5	X	X	120,000	120,000	X	240,000	250,000	100,000	350,000	357,142	947,142
6. Mr. Supasak Chirasav-inurapand	Independent Director/ Member of Audit Committee/ Member of Risk Management Committee/Member of Nomination and Remuneration Committee	6/6	5/5	3/3	X	120,000	120,000	50,000	290,000	300,000	100,000	400,000	357,142	1,047,142
7.Mr. Surasak Khaorop-tham	Director/ Chairman of Sustainable Development Committee	5/6	X	X	3/3	80,000	X	X	80,000	250,000	X	250,000	0	330,000
8.Gen Vichit Yathip	Independent Director	0/6	X	X	X	20,000	X	X	20,000	0	X	0	0	20,000
9.Mr. Pichai Karnchanar-porn	Ex-Chairman of the Board of Directors	1/6	X	X	X	140,000	X	X	140,000	80,000	X	80,000	357,142	577,142
Total		X	X	X	X	1,010,000	420,000	150,000	1,580,000	2,120,000	350,000	2,470,000	2,499,994	6,549,994

Remark : ¹ Mrs. Pratana Mongkolkul resigned from Chairman of Executive Committee on 14 November 2014.

² Mr. Surasak Khaoroptham was appointed as Director on 24 April 2014.

³ Gen. Vichit Yathip was appointed as Director on 14 November 2014.

⁴ Mr. Pichai Karnjanarpon resigned from the Company on 7 July 2014.

Remuneration to Executives

In 2014, the Company paid the total of 44.1 million baht in remunerations to executives as detailed below:

Remuneration for Executives	Total Remuneration (Baht)	
	2013	2014
Number of Executives	7	7
Financial Remuneration		
- Salary, bonus and other remunerations	60,008,419	43,014,358
- Contributions to provident fund and contribution to social security fund	925,545	1,081,733
Non-Financial Remuneration	None	None

Employees

Number of Employees

As of 31 December 2012, 2013 and 2014, the number of employees of the Company and its subsidiaries stood at 2,708 employees 2,878 employees and 3,049 employees respectively.

Continuous increase in number of employees from 2,208 as of 31 December 2012 to 3,049 as of 31 December 2014 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.

Division	Number of Employees		
	31 December 2012	31 December 2013	31 December 2014
Executives	-	7	7
Sales Support	836	976	1,196
Production	1,575	1,588	1,437
Brands and Marketing	32	39	107
Finance and Accounting	55	56	57
Warehouse and distribution	155	147	176
Strategic Planning	4	9	4
Human Resources	-	7	8
Information Technology	9	3	9
Others	42	46	48
Total	2,708	2,878	3,049

Besides, on 1st November 2013 the Company acquired 51% shares of Time Deco Corporation Co., Ltd. and this investment accounted for another 264 increase in number of employees as of 31 December 2014.

Total Compensation and Benefits of Employees

In 2012, 2013 and 2014, the Company and its subsidiaries paid total compensations of 544.9, 697.1 and 844.5 million baht respectively to its employees including salaries, bonuses, over-time pays and other compensations and benefits.

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.

Major Labour Disputes For The Past 3 Years

In July 2014, employees under Mc Jeans Manufacturing Co., Ltd, a subsidiary of Mc Group founded Labour Union of Mc Jeans Manufacturing and filed a claim to the Company. The claim was later accepted and actions were taken to settle the disputes according to the labour relations process under Labour Relations Act (B.E. 2518). The Company finally reached agreements with the labour union; however, shortly after the inquiry confirmed that Labour Union of Mc Jeans Manufacturing was not legally established under labour relations law. Labour Union of Mc Jeans Manufacturing was officially annulled by General Register Office of the Labour Relations Office, Department of Labour Protection and Welfare, Ministry of Labour.

Later on, the same group of employees tried to set up a new body called Mc Jeans Labour Union, replacing Labour Union of Mc Jeans Manufacturing and filed a claim to the Company. The Company is in the process of negotiations with the group and trying to compromise and settle the disputes.

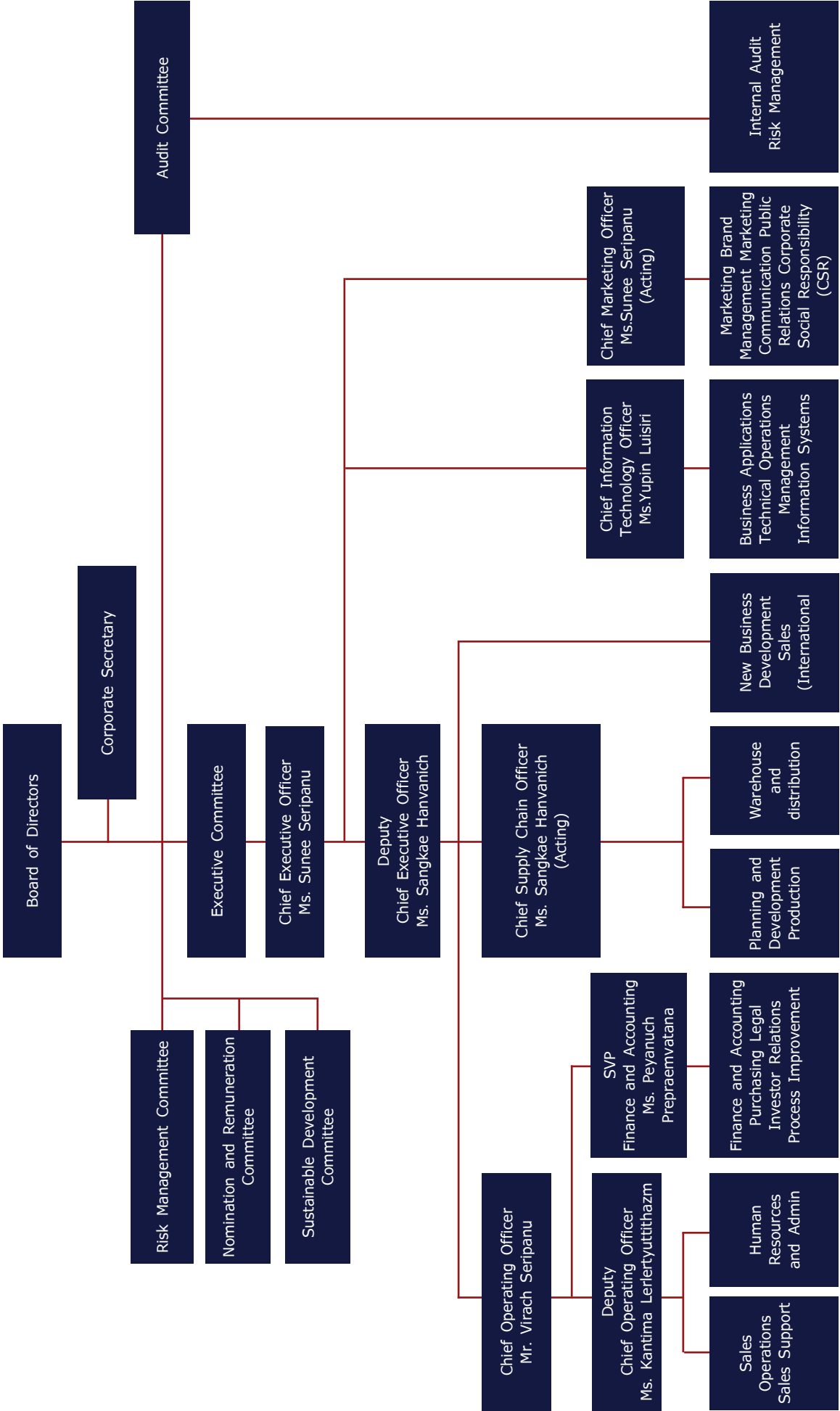
Human Resource Development

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 sustainable 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 (2012) 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 shareholders meeting invitation and other 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

- The Company shall act in its capacity to best accommodate the shareholders to exercise their rights and refrain from any activity that will hinder the meeting attendance of all types of shareholders.

- 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.

- 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 BE 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 BE 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 to Section 275 of the Stock Exchange of Thailand Act BE 2535 (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.

Information on Changes in Securities Holding of Directors and Management of the Company in 2014 ^{1/}

Director/Management	Previously held	Acquisition	Disposal	Number of Shares as of 31 January 2014 ^{3/}
1. Ms.Sunee Seripanu	274,654,940	232,506,056	150,450,000	356,711,500
2. Mr.Virach Seripanu	30,800,000	-	16,000,000	14,800,000
3. Mrs.Pratana Mongkolkul	30,871,000	600,000	-	31,471,000
4. Mr.Somchai Apiwattanaporn	-	-	-	-
5. Mrs.Jamnan Siritan	-	-	-	-
6. Mr.SupasaskChirasavinuprapand	-	-	-	-
7. Mr.Surasak Khaoroptham	-	-	-	-
8. Gen Vichit Yathip	-	-	-	-
9. Ms.Sangkae Hanvanich	533,400	-	-	533,400
10. Ms.Kantima Lerlertyuttitham	-	68,000	-	68,000
11. Ms.Yupin Luisiri	-	-	-	-
12. Ms.Peyanuch Prepraemvatana	533,400	533,400	-	1,066,800
13. Mr.Pichai Karnjanarporn ^{2/}	232,610,460	-	232,610,460	-

Remark: ^{1/}Number of common shares held by directors and management in the table already includes number of shares held by their spouses and minor children

^{2/}Mr. Pichai Karnjanarporn resigned from the Company on 7 July 2014.

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
Postal mail: Chairman of Audit Committee or Internal Audit Manager
 Mc Group Plc
 448,450 On Nut Road, Prawet, Prawet, Bangkok 10250
 Tel 02-329-1051-6 Fax 02-727-7287

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

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. 108 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. 16 investor conferences both locally and in foreign countries.
 - Investor Conference in Thailand 3 times
 - Investor Conference in Foreign Countries 9 times
 - Non Deal Road Show in Foreign Countries 2 times
 - Road Show in Thailand 2 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 Kiatsamphan or
Ms. Chayanuch Jakmanon
Address: Mc Group Plc, 448,450 On Nut Road, Prawet, Prawet, Bangkok 10250
Telephone: 02 117-9999 Extension 1210 or 1215
Fax: 02 117-9998
E-mail: ir@mcgroupnet.com

The Company shall make a Management Discussion and Analysis (MD&A) for each quarterly financial statement, to help investors better understand changes in the company's financial status and performance each quarter, not just be presented with the figures by themselves.

Moreover, the Company presented the Board's responsibilities concerning the Company's financial reports alongside the auditor's report and also disclosed the audit and non-audit fees in the Company's annual report.

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 Directors 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 Officer (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 BE 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.

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 has set meeting schedules for the Board of Directors and other committees in advance on a yearly basis. 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 compliance matter or for any additional information.

4. Development Programs for Directors and Executives of the Company

The Company conducts a self evaluation for directors of the Company at least once a year to assess their performance, efficiency and other issues related to the duties of the committees.

Furthermore, the Company encourages and facilitates trainings and other programs related to good corporate governance 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 2014,

Ms. Sunee Seripanu participated in Chairman Forum 2014 arranged by Thai Institute of Directors (IOD).

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 8 directors. In addition, all directors are the members 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 arrange an induction session as well as 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 BE 2551 (2008).

Currently, the structure of directors consists of the Board of Directors who supervises the business and 5 subcommittees responsible of specific matters which are Audit Committee, Executive Committee, Risk Management Committee, Nomination and Remuneration Committee and Sustainable Development Committee. More information regarding each committee is outlined as follows.

1. The Board of Directors

As of 31 December 2014, the Board of Directors consisted of 8 members- 2 executive directors and 6 non-executive directors as summarized below.

Name	Title/Position
1. Ms.Sunee Seripanu	Chairman of the Board of Directors/ Chief Executive Officer
2. Mr.Virach Seripanu	Director/ Chief Operating Officer
3. Mr.Somchai Apiwattanapron	Director / Independent Director / Chairman of Audit Committee
4. Mrs.Jamnan Siritan	Director / Independent Director/ Member of Audit Committee
5. Mr.Supasask Chirasavinuprapand	Director / Independent Director/ Member of Audit Committee
6. Gen Vichit Yathip	Director / Independent Director
7. Mrs.Pratana Mongkolkul	Director
8. Mr.Surasak Khaoroptham	Director

The Board of Directors appointed Ms. Oraya Uesakul 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 BE 2535 (1992) (including its amendments), the Securities and Exchange Act BE 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.

2. 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, 2014, there are 3 independent directors as follows:

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

Mr.Somchai Apiwattanapron, 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 Ms. Oraya Uesakul.

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 but not more than 3 terms consecutively.

3. Risk Management Committee

As of 31 December 2014, 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

Ms. Oraya Uesakul 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.

4. Nomination and Remuneration Committee

As of 31 December 2014, Nomination and Remuneration Committee consists of 3 members as appointed by the Board of Directors, namely:

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

Ms. Oraya Uesakul 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 and the shareholders 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.

5. Sustainable Development Committee

As of 31 December 2014, The Board of Directors appointed 2 members for the Sustainable Development Committee, namely:

Name	Title/Position
1. Mr.Surasak Khaoroptham	Chairperson of the Sustainable Development Committee
2. Mr.Virach Seripanu	Sustainable Development Committee Member

Ms. Oraya Uesakul was appointed as the Secretary to the Sustainable Development Committee

Roles and Responsibilities of the Sustainable Development Committee

1. Set directions and formulate policies related to sustainable development work.
2. Encourage and support all kinds of initiatives related to sustainable development including giving guidelines and monitoring related activities.
3. Consider and evaluate results of sustainable development initiatives/projects and provide suggestions and report to the Board of Directors
4. Appoint working team for sustainable development purpose as appropriate

Term of Office for the Sustainable Development Committee

The Sustainable Development 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.

6. 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 2014, the Executive Committee comprises of 2 members, namely:

Name	Title/Position
1. Ms. Sunee Seripanu	Executive Committee Member
2. 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 polices and business plans and undertaken with efficiency and effectiveness.
4. Review and approve any contract and transaction entering related to usual business operations (ie. trading, investments, joint ventures in order to carry normal business transactions and to achieve the business’ objectives) within the limit of 50,000,000 (fifty million) baht 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 50,000,000 (fifty million) baht 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.

7. Executives

As of 31 December 2014, MC GROUP Plc consists of 6 executives as follows:

Name	Title/Position
1. Ms. Sunee Seripanu	Chief Executive Officer Chief Marketing Officer (Acting)
2. Mr. Virach Seripanu	Chief Operating Officer
3. Ms. Sangkae Hanvanich	Deputy Chief Executive Officer Chief Supply Chain Officer(Acting)
4. Ms. Kantima Lerlertyuttitham	Deputy Chief Operating Officer
5. Ms. Yupin Luisiri	Chief Information Technology Officer
6. Ms Peyanuch Prepraemvatana	Senior Vice President-Finance and Accounting

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 polices, 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 (eg. 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 30,000,000 (thirty million) baht 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 ie. 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 1992 (and its amendments), Securities and Exchange Act 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 unduly 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 BE 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 BC 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 to Section 275 of the Stock Exchange of Thailand Act BE 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 2014 appointed KPMG Phoomchai Audit Ltd. with Mr. Thanit Osathalert Reg. No 5155, and/or Ms. Bongkot Amsageam Reg. No. 3684 and/or Ms. Orawan Sirirattanawong Reg., No 3757 as auditor of the Company for 2014.

Audit fees that the Company paid KPMG Phoomchai Audit Ltd. This can be divided into 1,100,000 baht audit fee for the Company and 1,940,000 baht for subsidiaries.

Apart from the stated fees, one of subsidiaries 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 2014 with the amount of 170,000 baht.

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.

SUSTAINABLE DEVELOPMENT

With the commitment in enabling the Company to grow steadily and sustainably, .MC GROUP Public Company Limited has appointed Sustainable Development Committee to set directions and formulate policies 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.

Policy, Procedure and documentation of sustainable development

Since inception, the Company has always been concerned with any party that may feel an impact from our business operations: society, stakeholders and the environment, among others. The Company has stated a Code of Conduct, distributed to all management and employees in our “Business Ethics Manual”. The manual aims to promote understanding of the Company’s Code of Conduct among all employees, to ensure their strict adherence to the code and to encourage their socially and environmentally-responsible mindset in accordance with corporate social responsibility guidelines provided by the Stock Exchange of Thailand.

Regarding the preparation of sustainable development report, in 2014 the Company supported the disclosure and distribution of information related to its complete conformity to Sustainable Development (SD) guidelines. The content of this report benefits all stakeholders, helping to highlight the importance of social and environmental responsibilities and the sustainable development of the Company.

For the past year, The Company still emphasized the importance of all stakeholders’ roles from shareholders, employees, customers, partners, competitors, creditors to society and environment and acted upon the policy and the procedure of sustainable development as follows:

1) Ethical business practices

The Company has a policy to conduct its business with ethics, transparency and fair competition under international standards of competition and other relevant business competition-related laws and regulations. These standards aim to prevent market monopoly, unfair market manipulation, corruption, market mechanism distortion and illegal access to information about competitors. The Company also commits not to discredit and/or damage its competitors in any unethical ways, such as paying bribes to its competitor’s employees or accusing its competitors illegitimately.

The Company has conducted its business with ethics, transparency and reliability; with a focus on building the business to sustainable development levels in order to increase utmost stock values and be able to distribute the dividend regularly. The Company has always intended to build good relationships with business partners, to have fair sourcing and procurement with no barrier of trades or limit to competition and also act according to the frame of fair business competition, contracts, codes of conduct and the promise given to customers strictly with the concern of mutual benefit and compliance with agreements. The Company also has a policy to deliver the products of the highest quality and within acceptable timeframes. The Company is also against any infringement of intellectual property rights and has put in place regular auditing processes, for example to protect copyrighted computer programs or avoid illegal trademark usage.

2) Anti-Corruption

The Company has risk management and risk assessment processes in place to prevent and fight corruption and promote corporate values with an emphasis on honesty and integrity. This aims to build an anti-corruption mindset and encourage its management and employees to conduct businesses in accordance with the Code of Conduct and with honesty. This includes the Code of Conduct that prohibits an offer of assets or any benefits to, or from, stakeholders that lead to actions or avoidance of actions that could result in damages or disadvantages to the Company.

The Company has conducted the business with ethics, transparency and with a concern for social responsibility. There is a stipulated policy to all management and employees to avoid any activities that could lead to direct or indirect conflicts of interest with the Company. Furthermore, there are continual business risk assessments and concisely developed internal audit processes in place as well as the good corporate governance of the organizational structure in order to have efficient auditing processes in place. Extra events are created and communicated in the code of conduct for acknowledgement and as a standard practice. Building a good mindset within each employee by having a concrete personnel administration and revised working methods ensures that the Company has an excellent risk management system to prevent corruption in the organization.

3) 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 of personal rights and without discrimination by race, religion, gender and social or 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.

The Company has acted equally to all stakeholders and carefully monitors the business to ensure it is not involve in any violation of human rights. Moreover, there is an open channel for complaints and a protection policy that follows the corporate governance in section 3 roles and responsibilities of stakeholders.

4) Equitable Treatment of Employee

The Company truly believes that its employees are the key stakeholders and are the most valuable assets that will help bring success to the Company. Thus, the Company is determined to ensure that every employee is fairly treated in terms of compensation and benefits, skill development and work safety so that they are proud and confident in working with the Company. The Company established an Environment, Health and Safety working unit as a central unit dedicated monitor all units of the group of companies of any matter related to safety, environment and health as well as suggest solutions to issues or problems; for example, chemicals management in production process and integrated waste management.

With regard to work safety, the Company stipulated policies and other related welfare management to all employees in compliance with the laws and human rights relating to safety, hygiene and working conditions. The Company also urged the team to set standards for operational excellence. Risks are identified, analyzed and mitigated in all processes and proper protections were put in place so each factory can easily implement these safety procedures. Furthermore, a Safety, Hygiene, and Working Condition Committee, Safety Officer, Safety Manager and Safety Management were set up to regularly train the employees on work safety. Safety, hygiene and work condition procedures were strictly implemented in accordance with standards.

The Company cares about general safety, health, and assets of employees as evidenced from its safety alarms in the buildings, fireman team for each factory and purchase of fire gear, including its safety training such as an annual fire drill with proper plans and formats. These procedures are in accordance with safety and environmental standards and other related regulations under new laws.

On employee welfare, the Company ensures that its employees are healthy physically, mentally and socially. The Company provides full-time nurses on site to safeguard employees' physical and mental health in compliance with the laws. Health check-ups for all employees is also organized annually. 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.

For remuneration and benefits, the Company treats employees fairly by providing fair and reasonable remuneration and benefits that match their knowledge, capability, responsibility and individual performances. The Company also provides benefits on medical bills and provident funds to management and employees based on economic and living conditions. Additionally, it pays variable bonuses to employees when meeting profit targets.

The Company also encouraged participation of all employees in providing suggestions regarding their own welfares and supported the set-up of the Employees' Welfare Committee (EWC) where members were elected from the employees in compliance with Labor Protection Act B.E. 2541.

5) Human Resources Development

The Company is determined to ensure that every employee is well developed to not only enhance their skills and knowledge but also make them proud and confident in the organization. Both internal and external trainings are arranged to improve their competencies. In 2013, the Company initiated a new project called MC Academy aiming to develop skills and knowledge of employees. The program curriculum was designed to equip sales functions and management with skills needed 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. Later on In 2014, the Company established Organization Development department and Human Capital Management department as another effort to shore up its human capital management to meet local and international standards seen in leading companies. These departments will support the efficient and effective management of the business and will drive the organization to achieve their strategic goals.

6) Responsibility to Customers

The Company considers responsibility to customers as its priority. In order to ensure the highest customer satisfaction and the fairest customer treatment, the Company specifically focuses on providing the best quality and service at the fair prices. The Company also aims to increase the variety of products, with safe, fast and high quality service to fulfill customer needs with the concern of long-term relationships. 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, 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 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. The employees must be eager to learn new things to strengthen their experience in satisfying customers' needs.
5. The employees treat customers politely and respectfully.
6. The employees have positive attitudes towards customer service and put high importance on providing services to customers with their best efforts, resulting in valuable, efficient, and superior services.
7. The employees must respect customers' decisions and opinions and must not violate customers' personal rights.

7) Environmental Conservation

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

The social and environmental responsibilities are considered as one mission in the business and stipulated in its good corporate governance policy. The Company and its subsidiaries conduct its business with concerns for society and the environment. Responsibilities for society and the environment are considered one of its key ethics that the Company has strictly followed. Furthermore, the Company did not put focus on monetary interests of its new projects but concerned more on safety and environment issues. EHS working unit participated since the inceptions of those projects to give advices and voice concerns related to environmental preservation and safety.

Subsidiaries such as P.K. Garment (Import-Export) Co., Ltd and MC Jeans Manufacturing Co., Ltd put an emphasis on conserving the environment through an ongoing examination of environmental risks incurred from production such as wastewater from dyeing and dust from color sprays. There are procedures and processes that the Company needs to strictly follow and to operate and monitor:

1. Environmental Management

1.1 Protection and monitoring

1.1.1 Air quality and the working environment

The Company uses natural gas (LPG) to replace fuel oil in order to reduce the impact on the environment from pollutants such as Sulfur dioxide (SO_x) and Carbon monoxide (CO_x). There is a policy of environmental quality monitoring before releasing outside of the factory and workplace environment, such as air quality in the workplace (including Chlorine, Hydrogen peroxide, Acetic acid and dust particles less than 10 micron), noise pollution, brightness and temperatures in workplace. All need to pass the standard regulations according to the laws.

1.1.2 Water quality

SBR Wastewater treatment system is operated to treat biological wastewater with the monthly monitoring activity of wastewater to pass the standard regulations according to the law.

1.2 Efficient resources management

1.2.1 Industrial waste management

A sorting waste procedure is in place to separate industrial waste to its category and systematically store before distribution to authorized waste disposal agents from the Department of Industrial Works to proceed with the scrapping process.

1.2.2 Chemical management

Chemical products from dyeing are categorized and updated on Safety Data Sheets (SDS) to divide into each level of danger according to guidelines from the Department of Industrial Works and the National Fire Protection Association (NFPA). The Company follows the standards of chemical storage with the control of an authorized person set out by the Department of Industrial Works.

2. Employee education

The Company continually supports the education of employees on the matters by assigning them to seminars and trainings organized by related agencies. Examples include safe handling of hazardous materials for specific personnel course, the regulation of dangerous substances and environmental labeling in textile products course, the wastewater treatment for regular workers course and a course for regular operators in wastewater treatment.

Since the commencement of our operations, all factories run by the Company's subsidiaries have not had any disputes or lawsuits relating to the environment. They have also not received any complaints from government departments regarding their compliance with environment-related regulations such as the Factory Act B.E. 2535 and the Enhancement and Conservation of National Environmental Quality Act B.E. 2535.

8) Community and Social Development

The Company is always concerned with its responsibility to community and social factors and sees it as its key mission to create projects and activities that develop them:

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

In the past year, the Company and the subsidiary Company together contributed to communities and the society in many ways such as waste water treatment before releasing to public water sources, and dust and fume control for the factories. Additionally, the subsidiary Company has a plan to use remnants of cloth to make other products such as slippers and wallets to create career opportunities for the community.

9) Innovation and Dissemination of Responsibility on Society, Environment, and Stakeholders

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

Business activities that impact social responsibility (if any)

-None-

Socially and Environmentally Responsible Activities (after process)

The Company has been supporting activities held by the Mc Jeans Foundation under its social responsibility policies. In 2014, the Company donated THB 1,234,997 to support the following 16 activities.

Donation to the underprivileged and for educational support

- Donated 1,000 pieces of stationary to Suraojorakekob School on National Children’s day
- Donated 5,000 THB to support sport activities to KotchapaukAnusorn Bangkok School on National Children’s day
- Donated 5,000 THB to support activities to Klongmakamted Bangkok School on National Children’s day

Donation to the foundations and others

- Donated 60,000 THB to support “wheelchair for disabled” to Thai Disabled Development Foundation
- Donated 200,000 THB to support Friends in need of (“Pa”) Volunteers Foundation Red Cross
- Donated 20,000 THB to Quality Mother Foundation to promote cancers in children funds under the royal patronage of HRH Princess Soamsawali
- Donated 20,000 THB to League of Foundation of Thailand under the royal patronage of H.M. The King to support the book of celebration of 60th birthday of HRH Princess MahaChakriSirindhorn to distribute to all universities in Thailand
- Donated 100,000 THB to “Ice Bucket Challenge” to support ALS association under Siriraj Foundation



- Donated 100,000 THB 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 50,000 THB to Chula Arts Alumni Association under the patronage of HRH Princess MahaChakriSirindhorn
- Donated 260,000 THB to charity concert of “SirirajSooksanPansook” for cancer patients
- Donated 110,000 THB to Rehabilitation Medicine for Children funds (D003487) under Siriraj Foundation to patients and to rehabilitation center
- Donated 50,000 THB to Foundation for Slum Child Care



- Donated 50,000 THB to SOS Children’s Villages Thailand
- Donated 50,000 THB to “Rai Chun Tawan” Vipassana center by V.Vajiramedhi



- Donated 100,000 THB to Prawet District Office to support electricity to public play ground and health park

Anti-Corruption Policy

The Company places great importance on the prevention of corruption. The Company has stipulated the Code of Conduct for its board members, management, and employees in the “Business Ethics Manual” which is well developed under the good corporate governance framework.

To ensure that the Company conducts its business fairly and in a sustainable manner, the Company signed a joint declaration with the “Thai Private Sector’s Collective Action Coalition for Anti-Corruptions” and implemented anti-corruption policies throughout the Company to affirm the Company’s anti-corruption intention and to educate and guide everyone in the Company in the same direction

REPORT OF AUDIT COMMITTEE

To the shareholders of MC GROUP Public Company Limited

The Audit Committee of MC GROUP Public Co.,Ltd. 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 Apiwattanapron, Chairman of the Audit Committee
- 2. Mrs.Jamnan Siritan, the Audit Committee member
- 3. Mr.Supasak Chirasavinuprapand, the Audit Committee member

And Ms. Oraya Uesakul, a secretary to the Audit Committee

In 2014, 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 5 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 2014 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. Thanit Osathalert of KPMG Phoomchai Audit as the auditor of the Company and proposed for shareholders' approval the audit fees for the year 2014. The auditor attended the Audit Committee Meeting and the discussions 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 2014

10. Review of the performance evaluation in the year 2014 by self-evaluation, 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 2014 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. Wichian Thammatrakul 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 Apiwattanaporn
The Chairman of the Audit Committee

INTERNAL CONTROL AND RISK MANAGEMENT

At the meeting of the Audit Committee No.1/2558 on 19 February 2015 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 21 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 BE 2551 (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 2014, 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 2014 (Million Baht)	Rationale
1. Mr.Pichai Karnjanarporn Relationships: shareholder and director (Mr. Pichai is not a majority shareholder and already retired from directorship since July 2014)	PK Garment (Import-Export) Co., Ltd., a subsidiary, rented lands for commercial billboards in Singburi and Ratchaburi.	0.05	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.
2. PK Grand Co., Ltd. Relationships: (Mr. Pichai is no longer a majority shareholder and already retired from directorship since July 2014)	Mc Jeans Manufacturing Co., Ltd, a subsidiary, rented lands and factory buildings for PK 2	1.9	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.
	Mc Jeans Manufacturing Co., Ltd, a subsidiary, rented lands and factory buildings for PK 3	4.1	
	PK Garment (Import-Export) Co., Ltd., a subsidiary rented lands and factory building for BK Bangpakong	0.2	
	McGroup Plc rented lands and factory buildings for furniture manufacturing business	2.7	

Related Party	Type of Transactions	Value as of 2014 (Million Baht)	Rationale
3. Millennium (1975) (previously Mc Co., Ltd.) Relationships: Mr. Pichai Karnjanarporn, Ms. Sunee Seripanu as majority shareholders and directors (Mr. Pichai is no longer a majority shareholder and already retired from directorship since July 2014)	McGroup Plc rented land and office building in Siphraya	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 deemed that the transaction was fair and reasonable for the best interests of the Company
	McGroup Plc rented cars for its business operations	0.3	The rental was for normal business undertakings and the fees were based on market prices. The Audit Committee deemed that the transaction was fair and reasonable.
4. Four K Trading (Thailand) Co., Ltd. Relationships: The majority shareholders as siblings of Mr. Pichai Karnjanarporn (Mr. Pichai is not a majority shareholder and already retired from directorship since July 2014)	PK Garment (Import-Export) Co., Ltd., a subsidiary, sold raw materials to Four K Trading (Thailand) Co., Ltd. for production	0.5	Four K Trading (Thailand) Co., Ltd. was an outsource manufacturer for Mc Group 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 sold accessories to Four K Trading (Thailand) Co., Ltd. for production	0.1	
	Mc Group Plc, purchased finished products from Four K Trading (Thailand) Co., Ltd. for production	40.3	
5. Sin Chai Hua Industry Co., Ltd. Relationships: shareholders and directors as siblings of Mr. Pichai Karnjanarporn (Mr. Pichai is not a majority shareholder and already retired from directorship since July 2014)	McJeans Manufacturing Co., Ltd., subsidiaries, used washing and bleaching services from Sin Chai Hua Industry Co., Ltd	0.2	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.

Related Party	Type of Transactions	Value as of 2014 (Million Baht)	Rationale
6. Panamera Fashion Co., Ltd. Relationships: Mr. Panu Narongchaikul as a shareholder and a director	Time Deco Corporation Limited, a subsidiary purchased finished products from Panamera Fashion Co., Ltd.	0.3	Panamera Fashion Co., Ltd. is a fashion product distributor and the purchases were made to extend product offerings of McGroup 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 and reasonable.
	Time Deco Corporation Limited, a subsidiary sold finished products from Panamera Fashion Co., Ltd.	2.4	
	Time Deco Corporation Limited, a subsidiary paid sales service fees to Panamera Fashion Co., Ltd.	0.8	
	Time Deco Corporation Limited, a subsidiary charged Panamera Fashion Co., Ltd. for commercial billboards.	0.3	
7. Panapat Co., Ltd. Relationships: Mr. Panu Narongchaikul as a shareholder and a director	Time Deco Corporation Limited, a subsidiary rented an office building from Panapat Co., Ltd.	3.3	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.
8. Time Deco Services Co., Ltd. Relationships: Mr. Panu Narongchaikul and Mr. Vararit Plengvanit as shareholders and directors	Time Deco Corporation Limited, a subsidiary used the after-sales service provided by Time Deco Services Co., Ltd.	2.6	Time Deco Services Co., Ltd. provided professional after-sales service to Time Deco Corporation Limited and Time Deco Corporation sold spare parts for watches to Time Deco Services Co., Ltd. Spare parts sales and after-sales service are normal trading transactions. Market prices were charged and the Audit Committee reviewed that all transactions were fair, reasonable and for the best interests of the Company.
	Time Deco Corporation Limited, a subsidiary sold spare parts for watches to Time Deco Services Co., Ltd.	3.5	
9. Boutique Property Management (previously PM Group) Relationships: Mrs. Pratana Mongkolkul as a shareholder and a director	Mc Jeans Manufacturing Co., Ltd, a subsidiary, rented lands and factory buildings for PK 2	1.9	The lands and factory buildings were for undertakings of normal business. Rents were based on prices performed by independent valuers and the Audit Committee deemed that the transactions were fair and reasonable.

Related Party	Type of Transactions	Value as of 2014 (Million Baht)	Rationale
10. SS Challenge Co., Ltd. Relationships: Ms. Sunee Seripanu as a shareholder	Mc Group rented lands and Design Center building	1.1	The office lease agreements of lands and design center were usual business undertakings. Rents were based on prices performed by independent valuers and the Audit Committee reviewed the transaction and deemed that the transaction was fair and reasonable for the best interests of the Company.
11. Ms. Sunee Seripanu Relationships: as a shareholder of Time Deco Corporation Limited, a subsidiary	Time Deco Corporation Limited, a subsidiary sold finished products to Ms. Sunee Seripanu	0.2	The mentioned sales were normal trading transactions of the Company. Market prices were charged and the Audit Committee deemed that all transactions were fair and reasonable.
12. Mr. Panu Narongchaikul Relationships: as a shareholder of Time Deco Corporation Limited, a subsidiary	Time Deco Corporation Limited, a subsidiary sold finished products to Mr. Panu Narongchaikul	0.09	The mentioned sales were normal trading transactions of the Company. Market prices were charged and the Audit Committee deemed that all transactions were fair and reasonable.
	Time Deco Corporation Limited, a subsidiary rented cars to Mr. Panu Narongchaikul	0.3	The car rental fees were based on market prices. The Audit Committee deemed that the transaction was fair and reasonable.
	Time Deco Corporation Limited, a subsidiary paid interests to Mr. Panu Narongchaikul	0.1	The interest charges were based on market prices. The Audit Committee deemed that the transaction was fair and reasonable.
13. Mr. Vararit Plengvanit Relationships: as a shareholder of Time Deco Corporation Limited, a subsidiary	Time Deco Corporation Limited, a subsidiary sold finished products to Mr. Vararit Plengvanit	0.01	The mentioned sales were normal trading transactions of the Company. Market prices were charged and the Audit Committee deemed that all transactions were fair and reasonable.
	Time Deco Corporation Limited, a subsidiary sold cars to Mr. Vararit Plengvanit	2.5	The care sales were normal trading transactions of the Company. Market prices were charged and the Audit Committee deemed that all transactions were fair and reasonable.
	Time Deco Corporation Limited, a subsidiary paid interests to Mr. Vararit Plengvanit	0.1	The interest charges were based on market prices. The Audit Committee deemed that the transaction was fair and reasonable.

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 DISCUSSION AND ANALYSIS

(for 2014 annual performance ending 31 December 2014)

Overall business performances

For 2014, sales revenue grew by 16.7% to THB 2,423 mn from the consolidation of Time Deco's financial results, the business the Company acquired in late 2013, together with continued efforts to strengthen its footprints. As at end of December 2014, MC GROUP had a total of 819 points of sales which represented an increase of 125 additional points of sales from end of 2013, details of which are as follows:

- 114 new domestic points of sales to total of 798 locations. Consisting of:
- 64 new free standing shops, resulting in a total of 251 point of sales;
- 46 new points of sales in modern trade, making modern trade points of sales to reach 542 sites
- 4 new mobile units and other to total of 5 at present
- 11 new points of sales in overseas market to total of 21

However, the slowdown in domestic economic activity took its toll on consumer spending across the industry, causing same store sales growth for 2014 to fell 8.1%.

For the year, MC GROUP's gross profit rose 12.1% to THB 1,888 mn, leading the consolidated gross profit margin to be at 54.4%. For the clothing retail business, gross profit margin was at 55.4% down from 57.0% after increasing promotional activity to drive shopper spending during the economic slowdown. For Time Deco, gross profit margin stood at 47.1%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 0.9% with consolidated EBITDA margin stood at 25.7%. The clothing retail business EBITDA margin dipped to 27.0% from 30.2% as a result of promotional campaigns mentioned above, increase selling expenses from shop expansion while performance was affected by the slowdown in consumption, and one-time expense related to relocation of warehouse of THB 20 mn resulted in a temporary increase in SG&A to sales revenue ratio. Meanwhile, Time Deco reported EBITDA margin of 15.6%.

MC GROUP recorded net profit for the year 2014 of THB 712 mn, reflecting a 3% drop. The clothing retail business net profit margin was at 22.2% while Time Deco net profit margin was at 8%, bringing the consolidated net profit margin to be at 20.1%

Financial Position Analysis

Assets

As of December 31, 2014, MC GROUP held a total asset of THB 4,857 mn compared to THB 4,652 million as of December 31, 2013. An increase of THB 205 million caused mainly by the followings:

- 1) An increase in inventory of THB 173 mn to support more points of sales as well as a slowdown in domestic consumption.
- 2) An increase of intangible assets totaling THB 105 mn following an investment in the Information Technology (IT) infrastructure to enhance operational efficiency.
- 3) A decrease of THB 92 mn in account receivables from change in revenue structure where modern trade channel experiences slowdown in sales while free-standing store channel has been growing.

Liabilities

As of December 31, 2014, the Company recorded a total liability of THB 932 mn, down THB 19 mn from THB 951 million as at December 31, 2013. This was mainly due to reduction of other current liabilities totaling THB 39 mn and deferred tax liabilities of THB 76 mn; offset by an increase in account payables of 50 mn baht following the expansion of sales network and increase in short-term loans from related-parties of THB 47 mn.

Shareholders' Equity

As of December 31, 2014, the Company registered a shareholders' equity totaling THB 3,925 mn compared to THB 3,701 mn as at December 31, 2013, which represents an increase of THB 223 mn as a result of THB 728 mn worth of consolidated net profit for the year 2014 and THB 504 million dividend payments.

Liquidity and Financial Ratios

Cash Flow

For the year 2014, the Company's cash and equivalents decreased THB 113 mn as a result of:

- 1) Cash flow received from operating activities of THB 651 mn driven mainly from the Company net profit of THB 728 mn with cash profit of THB 889 mn. Most of the cash was used to support the business expansion which led to an increase of inventory of THB 161 mn.
- 2) Cash flow spent in investment activities totaling THB 306 mn – Part was spent on equipments for factory, distribution center and distribution channel expansion of THB 239 mn and in tangible assets of THB 109 mn following an investment in the Information Technology (IT) infrastructure to enhance operational efficiency.
- 3) Cash flow spent on financing activities totaling THB 458 mn - most of which was paid out as dividend totaling THB 504 mn to shareholders offset by proceeds from short-term loans from related-parties of THB 47 mn.

Financial Ratios

MC GROUP's IPO proceed of THB 3,000 mn raised during June 2013 caused its average assets and shareholders' equity for the year to significantly increase compared to the same period in 2013. This led to a drop in the Company's Return on Equity (ROE) to 19.2% from 33.2% and Return on Assets (ROA) to decline to 15.0% from 22%.

For the year 2014, the Company's average days in inventory totaled 302 days. The clothing retail business's average day in inventory increased to 265 days from 236 days in 2013 due to the support for sales channel expansion together with the weak consumer spending that affected inventory levels during the past year.

Income Statement:

(THB millions)	4Q'14	4Q'13	% chg	FY '14	FY '13	% chg
Sales revenue	1,047	1,000	4.7%	3,470	2,973	16.7%
Total revenue	1,056	1,018	3.7%	3,538	3,017	17.3%
COGS	477	445	7.3%	1,582	1,288	22.8%
Selling expenses	223	192	16.0%	779	569	36.8%
Administrative expenses	141	138	2.1%	372	332	11.9%
Finance cost	1	1	N/M	6	17	N/M
EBT	214	242	(11.8%)	799	810	(1.4%)
Income tax expenses	16	31	(49.6%)	71	77	(7.9%)
Net income	198	211	(6.2%)	728	732	(0.7%)
Non-controlling interest	3	1	N/M	16	(1)	N/M
Net income to the firm	195	210	(7.2%)	712	733	(3.0%)

Balance Sheet:

(THB millions)	31-Dec-14	31-Dec-13	% chg
Cash and cash equivalent	1,699	1,792	(5.2%)
Account receivables	634	726	(12.7%)
Inventory	1,536	1,363	12.7%
Other assets	988	772	28.0%
Total assets	4,857	4,652	4.4%
Account payables	491	441	11.2%
Interest-bearing liabilities	155	114	36.6%
Other liabilities	286	396	(27.8%)
Total liabilities	932	951	(2.0%)
Equity attributable to the firm	3,819	3,614	5.7%
Non-controlling interest	106	88	21.0%
Shareholders' equity	3,925	3,701	6.0%

Key Financial Ratios:

Financial Ratios			
Liquidity Ratios		31-Dec-14	31-Dec-13
Current Ratio	times	4.49	4.38
		FY 2014	FY 2013
Average Days Receivable	days	71	83
Average Days in Inventory	days	302	271
Average Days Payable	days	106	102
Cash cycle	days	267	252
Profitability Ratios		FY 2014	FY 2013
Gross Profit Margin	%	54.4	56.7
- Clothing business	%	55.4	57.0
- Time Deco	%	47.1	43.8 *
Net Profit Margin	%	20.1	24.3
- Clothing business	%	22.2	24.8
- Time Deco	%	8.0	3.2 *
Return on Equity (Annualized)	%	19.2	33.2
Efficiency Ratios		FY 2014	FY 2013
Return on Assets (Annualized)	%	15.0	22.0
Leverage Ratios		31-Dec-14	31-Dec-13
Debt to Equity Ratio	times	0.24	0.26

Note: * Reflecting 2 months performance during November and December

Future Trend

MC GROUP strongly believes in the growth potential of lifestyle product and apparel retail business as well as other inherent business opportunities that may arise. Under our shared goals to create growth and with 40 years of experience, management and our staff are confident to guarantee that we will deliver solid performance every year and maintain our market leader status.

MC GROUP business plan is anchored on 3 key strategies: 1) Sales channel expansion and development of new channels to match consumer purchasing behaviors 2) Product development and introduction to promote varieties of product offerings and 3) Business expansion to new markets in the region. In parallel with these key strategies, human resource development will be emphasized to ensure that our legacy that contributed to our past successes will continue to support and sustain our growth in the future.

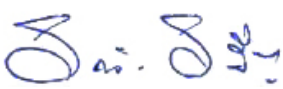
REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES TO FINANCIAL REPORT

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.

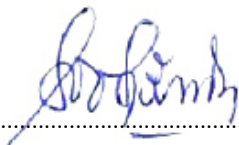
The Audit Committee, whose members are independent directors, was designated by the Board to review the quality of the financial reporting and the effectiveness of internal control system and report the review result to the Board.

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 2014



(Sunee Seripanu)

Chairman of the Board of Directors



(Virach Seripanu)

Director

GENERAL INFORMATION

Company Name	: MC GROUP Public Company Limited
Head Office Address	: 448, 450 On Nut Road, Prawes, Prawes, Bangkok 10250
Telephone	: 0-2329-1051-6
Website	: www.mcgroupnet.com
Registration No.	: 0107556000230
Type of Business	: 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.
Registered Capital	: 400,000,000 Baht
Paid-up Capital	: 400,000,000 Baht (made up of 800,000,000 common shares)
Par Value	: 0.50 Baht
Share Registrar	: Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building, 4 th & 7 th Floor, Ratchadapisek Road, Klongtoey, Klongtoey, Bangkok 10110 Tel. 02-229-2800 Fax. 02-359-1262-3
Auditor	: KPMG Phoomchai Audit Limited Floor 50 th -51 st , Empire Tower, 195 South Sathorn Road, Yannawa, Sathorn, Bangkok 10210 Telephone : 0-2677-2000 Fax : 0-2677-2222 By Mr.Thanit Osathalert and/or Ms. Bongkot Amsageam and/or Ms. Orawan Sirirattanawong, Certified Public Accountant No. 5155, 3684 and 3757 respectively.

“For more information, investors may research in Annual registration statement (Form 56-1) that the Company disclosed on www.sec.or.th or the Company's web site: www.mcgroupnet.com”

MC GROUP PUBLIC COMPANY LIMITED
and its Subsidiaries

Financial statements for the year ended
31 December 2014

and

Independent Auditor's Report

Independent Auditor's Report

To 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 2014, 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 2014 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



(Thanit Osathalert)
Certified Public Accountant
Registration No. 5155

KPMG Phoomchai Audit Ltd.
Bangkok
20 February 2015

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Statements of financial position

Consolidated				Separate	
financial statements				financial statements	
31 December				31 December	
Assets	Note	2014	2013	2014	2013
(in Baht)					
Current assets					
Cash and cash equivalents	6	154,403,777	267,100,834	142,346,596	255,147,962
Short-term investments	7	1,544,479,580	1,524,486,729	1,544,219,064	1,524,275,472
Trade accounts receivable	8	633,961,154	726,229,218	545,141,310	634,707,028
Other receivables - related parties	5	-	-	38,467,782	18,983,346
Short-term loans to related parties	5	-	-	-	231,736,641
Dividend receivable	5	-	-	303,746,355	265,996,808
Inventories	9	1,536,182,331	1,362,776,814	1,218,497,318	1,219,237,361
Other current assets	10	83,066,682	72,683,554	36,993,494	59,151,823
Total current assets		3,952,093,524	3,953,277,149	3,829,411,919	4,209,236,441
Non-current assets					
Investments in subsidiaries	5,11	-	-	464,932,204	253,795,804
Long-term loans to related parties	5	-	-	-	-
Property, plant and equipment	12	447,581,067	340,162,120	316,359,940	168,831,569
Goodwill	13	107,783,356	107,783,356	-	-
Intangible assets	14	115,053,972	10,428,867	110,700,779	6,662,278
Deferred tax assets	15	129,366,638	171,719,984	68,087,069	68,712,783
Other non-current assets	16	104,866,327	68,822,604	90,887,996	49,265,304
Total non-current assets		904,651,360	698,916,931	1,050,967,988	547,267,738
Total assets		4,856,744,884	4,652,194,080	4,880,379,907	4,756,504,179

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Statements of financial position

		Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
Liabilities and equity	Note	2014	2013	2014	2013
(in Baht)					
<i>Current liabilities</i>					
Bank overdrafts and short-term loans					
from financial institutions	17	155,418,326	108,212,241	-	-
Trade accounts payable	18	491,313,286	441,204,127	778,769,018	920,292,478
Current portion of finance lease liabilities		1,096,451	1,726,085	-	-
Short-term loans from related parties	5	25,572,602	19,309,235	-	-
Other payables	19	38,192,304	47,033,491	45,916,626	59,971,015
Income tax payable		14,975,334	91,059,032	8,722,776	35,371,446
Other current liabilities	20	154,552,607	194,133,364	103,438,056	135,321,848
Total current liabilities		881,120,910	902,677,575	936,846,476	1,150,956,787
<i>Non-current liabilities</i>					
Finance lease liabilities		3,456,907	3,854,115	-	-
Employee benefit obligations	21	40,657,509	39,203,994	21,059,689	18,812,099
Other non-current liabilities		6,653,094	5,087,897	1,372,224	641,000
Total non-current liabilities		50,767,510	48,146,006	22,431,913	19,453,099
Total liabilities		931,888,420	950,823,581	959,278,389	1,170,409,886
<i>Equity</i>					
Share capital	22				
Authorised share capital		400,000,000	400,000,000	400,000,000	400,000,000
Issued and paid-up share capital		400,000,000	400,000,000	400,000,000	400,000,000
Additional paid in capital:					
Premium on ordinary shares	22	2,824,925,638	2,824,925,638	2,824,925,638	2,824,925,638
Discount on acquisitions of					
non-controlling interests in subsidiary	4	(2,620,102)	-	-	-
Retained earnings					
Appropriated					
Legal reserve	23	65,000,000	65,000,000	40,000,000	40,000,000
Unappropriated		531,301,775	323,657,077	656,175,880	321,168,655
Equity attributable to owners					
 of the Company		3,818,607,311	3,613,582,715	3,921,101,518	3,586,094,293
Non-controlling interests		106,249,153	87,787,784	-	-
Total equity		3,924,856,464	3,701,370,499	3,921,101,518	3,586,094,293
Total liabilities and equity		4,856,744,884	4,652,194,080	4,880,379,907	4,756,504,179

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Statements of comprehensive income

		Consolidated		Separate	
		financial statements		financial statements	
		For the period ended		For the period ended	
		31 ธันวาคม		31 ธันวาคม	
	Note	2014	2013	2014	2013
		(in Baht)			
Income	5,24				
Revenue from sale of goods	34	3,469,752,912	2,972,809,420	3,038,472,502	2,899,785,227
Investment income	25	37,775,145	27,442,176	699,401,353	543,687,173
Other income	26	30,076,676	16,828,008	39,073,939	23,252,490
Total income		3,537,604,733	3,017,079,604	3,776,947,794	3,466,724,890
Expenses	5				
Cost of sale of goods	9	1,581,609,939	1,288,095,687	1,864,286,492	1,839,941,474
Selling expenses	27	778,965,038	569,318,118	708,421,661	558,596,879
Administrative expenses	28	372,110,337	332,484,600	313,419,398	303,052,723
Finance costs	31	6,132,320	17,452,984	10,205	17,532,596
Total expenses		2,738,817,634	2,207,351,389	2,886,137,756	2,719,123,672
Profit before income tax expense		798,787,099	809,728,215	890,810,038	747,601,218
Income tax expense	32	(71,156,844)	(77,270,930)	(51,802,813)	(47,446,412)
Profit for the year		727,630,255	732,457,285	839,007,225	700,154,806
Total comprehensive income for the year		727,630,255	732,457,285	839,007,225	700,154,806
Profit (loss) attributable to:					
Owners of the Company		711,644,698	733,440,654	839,007,225	700,154,806
Non-controlling interests		15,985,557	(983,369)	-	-
Profit for the year		727,630,255	732,457,285	839,007,225	700,154,806
Total comprehensive income attributable to:					
Owners of the Company		711,644,698	733,440,654	839,007,225	700,154,806
Non-controlling interests		15,985,557	(983,369)	-	-
Total comprehensive income for the year		727,630,255	732,457,285	839,007,225	700,154,806
Basic earnings per share	33	0.89	1.05	1.05	1.00

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Statement of changes in equity

		Consolidated financial statements						
		Retained earnings				Equity	Non-	Total
	Note	Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated (in Baht)	attributable to owners of the Company	controlling interests	equity
Year ended 31 December 2013								
Balance at 1 January 2013		300,000,000	-	25,000,000	490,698,698	815,698,698	14,563	815,713,261
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners of the Company</i>								
Issue of ordinary shares	22	100,000,000	2,824,925,638	-	-	2,924,925,638	-	2,924,925,638
Dividend to owner of the company	35	-	-	-	(860,482,275)	(860,482,275)	(28,323)	(860,510,598)
Total contributions by and distributions to owners of the Company		100,000,000	2,824,925,638	-	(860,482,275)	2,064,443,363	(28,323)	2,064,415,040
<i>Changes in ownership interests in subsidiaries</i>								
Investment in new subsidiaries		-	-	-	-	-	200,596	200,596
Acquisition of non-controlling interests with a change in control	4	-	-	-	-	-	88,584,317	88,584,317
Total transactions with owners, recorded directly in equity		100,000,000	2,824,925,638	-	(860,482,275)	2,064,443,363	88,756,590	2,153,199,953
Comprehensive income for the year								
Profit		-	-	-	733,440,654	733,440,654	(983,369)	732,457,285
Total comprehensive income for the year		-	-	-	733,440,654	733,440,654	(983,369)	732,457,285
Transfer to legal reserve		-	-	40,000,000	(40,000,000)	-	-	-
Balance at 31 December 2013		400,000,000	2,824,925,638	65,000,000	323,657,077	3,613,582,715	87,787,784	3,701,370,499

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Statement of changes in equity

		Consolidated financial statements							
						Retained earnings			
		Issued and paid-up share capital	Share premium	Discount on acquisitions of non-controlling interests in subsidiary	Legal reserve	Unappropriated	Equity attributable to owners of the Company	Non- controlling interests	Total equity
Note		(in Baht)							
Year ended 31 December 2014									
Balance at 1 January 2014		400,000,000	2,824,925,638	-	65,000,000	323,657,077	3,613,582,715	87,787,784	3,701,370,499
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners of the Company									
Dividend to owner of the company	35	-	-	-	-	(504,000,000)	(504,000,000)	(7,890)	(504,007,890)
Total contributions by and distributions to owners of the Company		-	-	-	-	(504,000,000)	(504,000,000)	(7,890)	(504,007,890)
Changes in ownership interests in subsidiaries									
Investment in new subsidiaries		-	-	-	-	-	-	63,600	63,600
Acquisition of non-controlling interests without a change in control	4	-	-	(2,620,102)	-	-	(2,620,102)	2,420,102	(200,000)
Total transactions with owners, recorded directly in equity		-	-	(2,620,102)	-	(504,000,000)	(506,620,102)	2,475,812	(504,144,290)
Comprehensive income for the year									
Profit		-	-	-	-	711,644,698	711,644,698	15,985,557	727,630,255
Total comprehensive income for the year		-	-	-	-	711,644,698	711,644,698	15,985,557	727,630,255
Balance at 31 December 2014		400,000,000	2,824,925,638	(2,620,102)	65,000,000	531,301,775	3,818,607,311	106,249,153	3,924,856,464

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Statement of changes in equity

		Separate financial statements				
				Retained earnings		
	Note	Issued and paid-up share capital	Share premium	Legal reserve (in Baht)	Unappropriated	Total equity
Year 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						
<i>Contributions by and distributions to owners of the Company</i>						
Issue of ordinary shares	22	100,000,000	2,824,925,638	-	-	2,924,925,638
Dividend to owner of the company	35	-	-	-	(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

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Statement of changes in equity

		Separate financial statements				
				Retained earnings		
	Note	Issued and paid-up share capital	Share premium	Legal reserve <i>(in Baht)</i>	Unappropriated	Total equity
Year ended 31 December 2014						
Balance at 1 January 2014		400,000,000	2,824,925,638	40,000,000	321,168,655	3,586,094,293
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Dividend to owner of the company	35	-	-	-	(504,000,000)	(504,000,000)
Total contributions by and distributions to owners of the Company		-	-	-	(504,000,000)	(504,000,000)
Comprehensive income for the year						
Profit		-	-	-	839,007,225	839,007,225
Total comprehensive income for the year		-	-	-	839,007,225	839,007,225
Balance at 31 December 2014		400,000,000	2,824,925,638	40,000,000	656,175,880	3,921,101,518

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Statements of cash flows

	Consolidated financial statements		Separate financial statements	
	For the period ended		For the period ended	
	31 ธันวาคม		31 ธันวาคม	
	2014	2013	2014	2013
	(in Baht)			
<i>Cash flows from operating activities</i>				
Profit for the year	727,630,255	732,457,285	839,007,225	700,154,806
<i>Adjustments for</i>				
Depreciation	123,288,247	86,127,649	70,320,600	33,997,044
Amortisation of intangible assets	7,293,888	4,109,305	3,604,618	2,328,990
Impairment losses on investments in subsidiaries	-	-	1,000,000	-
Impairment losses on other intangible assets (reversal)	(2,457,417)	1,975,345	-	2,645,541
Investment income	(37,775,145)	(27,442,176)	(699,401,353)	(543,687,173)
Employee benefit	8,079,889	11,046,117	4,402,125	5,088,255
Finance cost	6,132,320	17,452,984	10,205	17,532,596
Gain from sales of investment	(5,806,523)	(65,306)	(5,757,264)	(30,952)
Bad and doubtful debts expense (reversal)	3,641,570	(2,178,956)	28,640,160	1,461,765
Provision for inventory obsolescence (reversal)	(12,661,184)	8,020,110	(12,659,981)	7,107,344
(Gain) and loss from sales of property, plant and equipment	174,364	(49,022)	(204,630)	(88,182)
Income tax expense	71,156,844	77,270,930	51,802,813	47,446,412
	888,697,108	908,724,265	280,764,518	273,956,446
<i>Changes in operating assets and liabilities</i>				
Trade accounts receivable	88,626,493	(19,938,075)	85,925,558	(46,874,979)
Other receivables - related parties	-	30,309	(21,480,936)	(10,446,774)
Inventories	(160,744,333)	(359,693,244)	13,400,025	(236,615,872)
Other current assets	(21,160,115)	10,100,325	11,381,342	11,148,590
Other non-current assets	(36,043,723)	(15,509,131)	(41,622,692)	(30,371,562)
Trade accounts payable	50,109,159	118,118,239	(141,523,461)	(322,988,524)
Dividend payables of subsidiaries	-	(200,000,000)	-	-
Other payables	(8,841,187)	(15,896,357)	(14,054,389)	35,756,722
Other current liabilities	(39,227,524)	19,739,323	(31,397,369)	52,551,133
Other non-current liabilities	1,565,197	2,281,895	731,223	641,000
Employee benefit obligations	(6,626,373)	(14,823,434)	(2,154,535)	(11,421,797)
Cash generator from (used in) operating activities	756,354,702	433,134,115	139,969,284	(284,665,617)
Income tax paid	(104,887,195)	(151,554,902)	(77,825,770)	(96,956,929)
Net cash from (used in) operating activities	651,467,507	281,579,213	62,143,514	(381,622,546)

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Statements of cash flows

		Consolidated		Separate	
		financial statements		financial statements	
		For the period ended		For the period ended	
		31 ธันวาคม		31 ธันวาคม	
		2014	2013	2014	2013
(in Baht)					
<i>Cash flows from investing activities</i>	<i>Note</i>				
Interest received		48,545,767	2,721,647	52,686,230	2,720,457
Purchase of property, plant and equipment		(239,308,424)	(157,742,234)	(219,331,256)	(122,074,012)
Purchase of intangible assets		(109,461,577)	(10,173,087)	(107,643,119)	(7,501,399)
Sale of property, plant, and equipment and intangible assets		8,426,866	4,364,744	1,686,916	237,497
Short-term investment		(14,186,328)	(1,519,656,183)	(14,186,328)	(1,524,244,521)
Dividends received		6,365	-	619,742,563	746,218,869
Received from short-term loans to related parties		-	-	374,761,770	272,476,420
Short-term loans to related parties		-	-	(166,028,630)	(471,265,663)
Net cash inflow on acquisition of business combination	4	-	4,353,111	-	-
Cash outflow on shares in subsidiaries		(200,000)	-	(212,136,400)	(1,799,404)
Net cash from (used in) investing activities		(306,177,331)	(1,676,132,002)	329,551,746	(1,105,231,756)
<i>Cash flows from financing activities</i>					
Interest paid		(6,001,457)	(17,743,393)	(10,205)	(17,713,416)
Dividend paid		(504,491,986)	(860,510,598)	(504,486,421)	(860,482,275)
Increase (decrease) in bank overdrafts and short-term loans from financial institutions		47,206,085	(237,884,291)	-	-
Finance lease payments		(1,026,842)	(296,438)	-	-
Proceeds from short-term loans from related parties		22,350,000	-	6,001,027	21,551,596
Repayment of short-term loans from related parties		(16,086,633)	-	(6,001,027)	(98,551,596)
Proceeds from long-term loans from financial institutions		-	450,000,000	-	450,000,000
Repayment of long-term loans from financial institutions		-	(749,997,000)	-	(749,997,000)
Proceeds from issue of ordinary shares		-	2,924,925,638	-	2,924,925,638
Proceeds from non-controlling interests		63,600	200,596	-	-
Net cash from (used in) financing activities		(457,987,233)	1,508,694,514	(504,496,626)	1,669,732,947
Net increase (decrease) in cash and cash equivalents		(112,697,057)	114,141,725	(112,801,366)	182,878,645
Cash and cash equivalents at 1 January		267,100,834	152,959,109	255,147,962	72,269,317
Cash and cash equivalents at 31 December		154,403,777	267,100,834	142,346,596	255,147,962

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

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Notes to the financial statements

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 authorised for issue by the Board of Directors on 20 February 2015

1 General information

MC GROUP PUBLIC COMPANY LIMITED, the “Company”, was incorporated in Thailand and has its registered office at 448, 450, Onnuch Road, Kwang Pravet, Khet Pravet, Bangkok.

The Company’s major shareholders during the financial period were Khun Sunee Seripanu (44.56 % shareholding).

At the Board of Directors’ meeting of the Company held on 7 July 2014, the Board of Directors were acknowledged that Khun Pichai Karnjanarporn sold the company’s shares totalling shares 95.45 million. Those shares were sold to Khun Sunee Seripanu totalling shares 50 million and also to local institutional investors and foreign institutional investors totalling shares 45.45 million.

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 2014 and 31 December 2013 are given in notes 5 and 11 and are as follows:

Name of entities	Type of business	Country of incorporation	Percentage of ownership interest	
			2014	2013
			%	
<i>Direct subsidiaries</i>				
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	99.97	79.97
MC INTER LIMITED	(4)	Hong Kong	100.00	100.00
Look Balance Co., Ltd.	(5)	Thailand	99.97	99.97
<i>Indirect subsidiary</i>				
Time Deco Corporation Limited	(6)	Thailand	51.00	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.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

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 annual accounting periods beginning on or after 1 January 2014:

TFRS	Topic
TAS 1 (revised 2012)	Presentation of financial statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets
TFRS 3 (revised 2012)	Business Combinations
TFRS 8 (revised 2012)	Operating Segments
TIC 15	Operating Leases-Incentives
TIC 32	Intangible Assets-Web Site Costs
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 13	Customer Loyalty Programmes

The initial application of these new and revised TFRS and has resulted in changes in certain of the Group’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2015 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 39.

(b) Basis of measurement

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

(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 unless otherwise stated.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

(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 recognised 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 3(r)	Current and deferred taxation
Note 4	Acquisitions of subsidiary
Note 15	Utilisation of tax losses
Note 21	Employee benefit obligations
Note 37	Commitments with non-related parties

3 **Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

(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 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 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 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.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

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 recognised in profit or loss.

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

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

(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.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

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 recognised 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 recognised 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 derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised 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 3(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 amortisation 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 recognised in profit or loss as incurred.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

Amortization

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

Amortisation is recognised 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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Amortisation 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 amortisation 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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised 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 recognised 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 amortisation, if no impairment loss had been recognised.

(k) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at cost.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

(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 recognised 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 recognised 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 recognised immediately in profit or loss.

The Group recognises 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 recognised 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 recognised 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 recognised as finance cost.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

(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 recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised 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 recognised as services are provided.

Investments

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

Dividend income

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

Interest income

Interest income is recognised 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 recognised 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 recognised in profit or loss using the effective interest method.

(q) Lease payments

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

Lease incentives received are recognised 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.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 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.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

(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.

4 **Acquisitions of subsidiaries and non-controlling interests**

(a) *Acquisition of subsidiary*

On 1 November 2013 the Group obtained control of Time Deco Corporation Limited, 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 Limited increased to 51%.

Taking control of Time Deco Corporation Limited 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 Limited 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 recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

	Fair value <i>(in thousand Baht)</i>
Cash	<u>200,000</u>

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

Identifiable assets acquired and liabilities assumed

	<i>Note</i>	Fair value <i>(in thousand Baht)</i>
Cash and cash equivalents		204,353
Trade receivables		43,986
Inventories		231,741
Other current assets		3,581
Property, plant and equipment	12	40,929
Intangible assets	14	2,106
Deferred tax assets	15	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		(19,309)
Other current liabilities		(236,377)
Long-term liabilities for financial leases		(5,639)
Employee benefit	21	(4,033)
Total identifiable net assets		180,801

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 recognised as a result of the acquisition as follows:

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

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 recognised is expected to be deductible for income tax purposes.

(b) Acquisition of interests in subsidiary without a change of control

In February 2014 the Group acquired an additional 20% interest in WoWme Limited, a subsidiary, for Baht 0.2 million in cash, increasing its ownership interest from 79.97% to 99.97%. The carrying amount of WoWme Limited's net deficiency in the Group's financial statements on the date of the acquisition was Baht 7.5 million. The Group recognised an increase in non-controlling interests of Baht 2.4 million and discount on acquisitions of non-controlling interests in subsidiary without a change in control of Baht 2.6 million.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

The following summarises the effect of the change in the Group's ownership interest in WoWme Limited:

	2014 <i>(in thousand Baht)</i>
Group's ownership interest at 1 January (Capital deficiency)	(7,511)
Effect of increase in Group's ownership interest (Capital deficiency)	(2,420)
Share of comprehensive income (loss)	(7,271)
Group's ownership interest at 31 December (Capital deficiency)	(17,202)

5 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, 99.97% shareholding, some common directors
MC INTER LIMITED	Hong Kong	Subsidiary 100% shareholding
Look Balance Co., Ltd	Thailand	Subsidiary, 99.97% shareholding, some common directors
Time Deco Corporation Limited	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
Sinchaihua 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

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

Name of entities	Country of incorporation /nationality	Nature of relationships
Panamera Fashion Co., Ltd.	Thailand	Related party, some common directors and shareholders in indirect subsidiary
Panapat Co., Ltd	Thailand	Related party, some common directors and shareholders in indirect subsidiary
Time Deco Services Co., Ltd	Thailand	Related party, some common directors and shareholders in indirect subsidiary
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
Boutique Property Management Co., Ltd.	Thailand	Related party, some common 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:

	Consolidated financial statements		Separate financial statements	
Year ended 31 December	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Major Shareholder				
Other expenses	253	90	-	-
Subsidiaries				
Sales of goods or rendering of services	-	-	8	16
Purchase of goods or receiving of services	-	-	1,275,678	1,588,509
Other income	-	-	21,805	19,877
Dividend income	-	-	657,492	512,222
Interest income	-	-	4,141	4,033
Staff outsourcing services fees	-	-	275,540	253,370
Other expenses	-	-	14,183	14,178
Interest expense	-	-	10	1,451
Sales property, plant, equipment	-	-	-	13
Purchase property, plant and equipment	-	-	3,745	560
Other related parties				
Sales of goods or rendering of services	9,628	403	126	-
Purchases of goods or receiving of services	43,299	42,425	40,288	36,311
Other expenses	18,463	17,088	5,992	4,589
Other revenues	-	-	-	1,055

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

	Consolidated financial statements		Separate financial statements	
<i>Year ended 31 December</i>	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Key management personnel				
Key management personnel				
Salary and wages	39,357	55,443	37,559	39,485
Post-employment benefits	1,727	2,541	1,357	1,234
Defined contribution plans	1,082	846	1,082	798
Other	1,930	1,807	1,008	562
Total key management personnel compensation	44,096	60,637	41,006	42,079

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

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Trade accounts receivable - related parties				
Subsidiaries				
P.K.Garment (Import-Export) Co., Ltd.	-	-	65	-
Mc Jeans Manufacturing Co., Ltd.	-	-	27	-
WoWme Limited	-	-	19	14
Other related parties				
Time Deco Services Co., Ltd	2,648	-	-	-
Four K Trading (Thailand) Co.,Ltd.	-	433	-	61
	2,648	433	111	75
<i>Less allowance for doubtful accounts</i>	-	-	-	-
Net	2,648	433	111	75
 Bad and doubtful debts expense for the year	 -	 -	 -	 -

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
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Other accounts receivable – related parties

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
P.K.Garment (Import-Export) Co., Ltd.	-	-	15,282	607
Mc Jeans Manufacturing Co., Ltd.	-	-	21,221	9,287
Winner Man Co., Ltd.	-	-	1,858	7,125
WoWme Limited	-	-	1,566	602
Look Balance Co.,Ltd.	-	-	-	1,362
Time Deco Corporation Limited	-	-	537	-
	-	-	40,464	18,983
<i>Less</i> allowance for doubtful accounts	-	-	(1,996)	-
Net	-	-	38,468	18,983
Bad and doubtful debts expense for the year	-	-	1,996	-

Loans to related parties

	Interest rate		Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013	2014	2013
	<i>(% per annum)</i>		<i>(in thousand Baht)</i>			
Short-term loans						
Subsidiaries						
Winner Man Co., Ltd.	-	4.00	-	-	-	17,429
WoWme Limited	-	4.00	-	-	-	15,108
Look Balance Co.,Ltd.	-	4.00	-	-	-	199,200
			-	-	-	231,737
<i>Less</i> allowance for doubtful accounts			-	-	-	-
Short-term loans to related parties, net			-	-	-	231,737
Long-term loans						
Subsidiaries						
WoWme Limited	3.75	-	-	-	23,004	-
			-	-	23,004	-
<i>Less</i> allowance for doubtful accounts			-	-	(23,004)	-
Long-term loans to related parties, net			-	-	-	-
Summary of loans to related parties						
Short-term loans			-	-	-	231,737
Long-term loans			-	-	23,004	-
			-	-	23,004	231,737
<i>Less</i> allowance for doubtful accounts			-	-	(23,004)	-
Total loans to related parties, net			-	-	-	231,737

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

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

<i>Loans to related parties</i>	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Short-term loans				
Subsidiaries				
At 1 January	-	-	231,737	32,947
Increase	-	-	166,029	471,266
Decrease	-	-	(374,762)	(272,476)
Transfer	-	-	(23,004)	-
At 31 December	-	-	-	231,737
Long-term loans				
Subsidiaries				
At 1 January	-	-	-	-
Transfer	-	-	23,004	-
At 31 December	-	-	23,004	-
Dividend receivable				
Subsidiaries				
P.K.Garment (Import-Export) Co., Ltd.	-	-	303,746	265,997
	-	-	303,746	265,997
Investment in subsidiaries	-	-	464,932	253,796
Trade accounts payable - related parties				
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
P.K.Garment (Import-Export) Co., Ltd.	-	-	509,606	703,558
Mc Jeans Manufacturing Co., Ltd.	-	-	53,500	66,376
WoWme Limited	-	-	33	-
Time Deco Corporation Limited	-	-	144	-
Other related parties				
Sinchaihua Industry Co., Ltd.	-	520	-	-
O.T.M. Management Co., Ltd.	7,245	7,245	-	-
Panamera Fashion Co., Ltd	-	2,873	-	-
Four K Trading (Thailand) Co., Ltd	-	17,689	-	17,673
Total	7,245	28,327	563,283	787,607

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

<i>Other accounts payable - related parties</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Manager shareholder	16	-	16	-
Subsidiaries				
P.K.Garment (Import-Export) Co., Ltd.	-	-	14,697	5,408
Mc Jeans Manufacturing Co., Ltd.	-	-	2,786	1,751
Winner Man Co., Ltd	-	-	3,380	24,304
WoWme Limited	-	-	599	560
Other related parties				
Directors	146	142	146	142
P.K.Grand Co., Ltd.	-	3,032	-	2,604
P.K.Asset Plus Co., Ltd	-	701	-	-
Panapat Co., Ltd	6	594	-	-
Panamera Fasion Co., Ltd.	30	-	-	-
Time Deco Services Co., Ltd.	2,422	94	-	-
Total	2,620	4,563	21,624	34,769

<i>Loans from related parties</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Interest rate	2014	2013	2014	2013
	<i>(% per annum)</i>			
Short-term loans				
Key management personnel	-	-	-	-
Total loans from related parties	25,573	19,309	-	-

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

<i>Loans from related party</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Short-term loans				
Subsidiary				
At 1 January	19,309	-	-	77,000
Acquisition from business combinations	-	19,309	-	-
Increase	22,350	-	6,001	21,552
Decrease	(16,086)	-	(6,001)	(98,552)
At 31 December	25,573	19,309	-	-

Significant agreements with related parties

As at 31 December 2014, the Group 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 5.3 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.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

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. The rental and services rate since 1 June 2014 is totalling Baht 3.1 million per annum.

“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 related parties. The agreements have a period of 10 years and are renewable for 2 successive periods of 10 years. Under these agreements, only the Company has the right to cancel these agreements without a cancellation fee. The rental rate since 1 January 2014 was totalling Baht 7.4 million per annum.

On 4 July 2014, a related company has conveyed the right on land and building which the subsidiaries had entered into rental agreements to another related company. After the conveyance has completed, the substances under the leasing agreement are remain the same.

On 1 September 2012, a subsidiary has entered into land rental agreements with related person for construct the Billboards in the total rental rate of Baht 0.1 million per annum. The agreements have a period of 3 years.

Service agreements

On 1 September 2012, two subsidiaries have entered into service agreement for its utilities and facilities with related companies. The term of these agreements have a period of 10 years and are renewable for 2 successive periods of 10 years each. In case of the above land and factory rental agreement has been terminated, this service agreement will be terminated together with that agreement. The services fee since 1 January 2014 was totalling Baht 4.7 million per annum.

On 4 July 2014, a related company has conveyed the right on land and building which the subsidiaries has entered into rental agreements to another related company. The related company provides services in land and building. After the conveyance has completed, the services provider has changed, the substances under the leasing agreement are remain the same.

Building rental and services 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 annum. The term of this agreement has a period of 3 years and is renewable with the same condition until one of both parties agree to change the condition by giving written notice 30 days in advance.

On 1 April 2014, the Company has entered into building space rental agreement with a related company in the total rental and services rate of Baht 19.1 million per annum. The term of this agreement has a period of 10 years and is renewable for 10 years. Under this agreement, only the company has the right to cancel this agreement without a cancellation fee.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

Office rental and services agreements

On 1 October 2012, the Company has entered into office rental agreement with a related company in the total rental rate of Baht 1.8 million per annum. The term of this agreement has a period of 2 years and 9 months. Under these agreements, only the Company has the right to cancel this agreement without a cancellation fee.

On 1 February 2014, the Company has entered into an office rental agreement with a related company at the total rental and services rate of Baht 4.5 million per annum. The term of this agreement is for a period of 10 years and is renewable for a further 10 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.

On 1 March 2014, the Company has entered into management services agreements with a subsidiary whereby the Company will provide service relating to accounting and taxation and stock taking services. In consideration thereof, the subsidiary agreed to pay service fees at amount of Baht 1.3 million. The agreement has a term of 10 months and is renewable for successive periods with the same condition unit both parties agree to change the condition by giving written notice 30 days in advance.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

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 however, as at 31 December 2014 the Group has not transferred such assets yet.
(2) PK Bangpakong Extension	Manufacturing of clothing	Related party	Subsidiary	10 years	Baht 5.1 million	Within February 2015

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.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

6 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Cash on hand	13,246	9,784	12,526	9,576
Cash at banks – current accounts	141,132	257,291	129,821	245,572
Cash at banks – savings accounts	26	26	-	-
Total	154,404	267,101	142,347	255,148

Cash and cash equivalents of the Group and the Company as at 31 December 2014 and 2013 were denominated entirely in Thai Baht.

7 Short-term investments

	Consolidated financial statement		Separate financial statement	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Short-term deposits at financial Institutions	1,000,000	1,500,000	1,000,000	1,500,000
Equity securities held for trading	544,480	24,487	544,219	24,275
Total	1,544,480	1,524,487	1,544,219	1,524,275

Other investments of the Group and the Company as at 31 December 2014 and 2013 were denominated entirely in Thai Baht.

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Trading securities				
At 1 January	24,487	4,765	24,275	-
Purchases during the year	1,578,169	3,261,500	1,578,170	3,261,500
Sales during the year	(1,063,983)	(3,244,699)	(1,063,983)	(3,240,000)
Valuation adjustment	5,807	2,921	5,757	2,775
At 31 December	544,480	24,487	544,219	24,275

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

8 Trade accounts receivable

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Related parties	5	2,648	433	111	75
Other parties		677,007	767,848	585,695	671,657
		<u>679,655</u>	<u>768,281</u>	<u>585,806</u>	<u>671,732</u>
Less provision for sales return		(35,563)	(35,563)	(35,563)	(35,563)
allowance for doubtful accounts		(10,131)	(6,489)	(5,102)	(1,462)
Net		<u>633,961</u>	<u>726,229</u>	<u>545,141</u>	<u>634,707</u>
Bad and doubtful debts expense for the year (reversal)		<u>3,642</u>	<u>(2,179)</u>	<u>3,640</u>	<u>1,462</u>

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	326	11	6	11
Overdue:				
Less than 3 months	675	422	100	51
3 - 6 months	843	-	-	7
6 - 12 months	804	-	-	6
Over 12 months	-	-	5	-
	<u>2,648</u>	<u>433</u>	<u>111</u>	<u>75</u>
Less allowance for doubtful accounts	-	-	-	-
Net	<u>2,648</u>	<u>433</u>	<u>111</u>	<u>75</u>
Other parties				
Within credit terms	507,500	622,300	438,923	533,119
Overdue:				
Less than 3 months	147,324	131,803	130,232	130,360
3 - 6 months	10,145	6,875	10,037	7,094
6 - 12 months	4,274	39	4,240	99
Over 12 months	7,764	6,831	2,263	985
	<u>677,007</u>	<u>767,848</u>	<u>585,695</u>	<u>671,657</u>
Less provision for sales return	(35,563)	(35,563)	(35,563)	(35,563)
allowance for doubtful accounts	(10,131)	(6,489)	(5,102)	(1,462)
Net	<u>631,313</u>	<u>725,796</u>	<u>545,030</u>	<u>634,632</u>
Total	<u>633,961</u>	<u>726,229</u>	<u>545,141</u>	<u>634,707</u>

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

Notes to the financial statements

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

Trade accounts receivable of the Group and the Company as at 31 December 2014 and 2013 were denominated entirely in Thai Baht.

9 Inventories

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Finished goods	1,352,141	1,280,630	1,262,785	1,266,992
Work in progress	79,703	46,279	429	-
Goods in transit	36,835	-	-	-
Raw materials and supplies	120,867	112,895	3,769	1,391
	<u>1,589,546</u>	<u>1,439,804</u>	<u>1,266,983</u>	<u>1,268,383</u>
Less allowance for obsolete inventories	<u>(53,364)</u>	<u>(77,027)</u>	<u>(48,486)</u>	<u>(49,146)</u>
Net	<u>1,536,182</u>	<u>1,362,777</u>	<u>1,218,497</u>	<u>1,219,237</u>

The cost of inventories which is recognised as an expense and included in cost of sale of goods in the consolidated and separate financial statements for the period ended 31 December 2014 amounted to Baht 1,582 million and Baht 1,864 million, respectively and 2013 amounted to Baht 1,288 million and Baht 1,840 million, respectively.

10 Other non-current assets

	Consolidated financial statement		Separate financial statement	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Other Receivables-Revenue				
Department	33,975	9,714	4,133	1,718
Prepaid expenses	20,125	10,050	9,338	7,158
Accrued interest receivable	13,935	24,722	13,935	24,712
Advance to vendors	3,072	19,386	2,943	19,342
Input VAT suspense	2,844	2,679	1,581	1,396
Advance to employees	2,090	1,700	1,770	1,292
Others	7,026	4,433	3,293	3,534
Total	<u>83,067</u>	<u>72,684</u>	<u>36,993</u>	<u>59,152</u>

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

11 Investments in subsidiaries

	Separate financial statements	
	2014	2013
	<i>(in thousand Baht)</i>	
Subsidiaries		
At 1 January	253,796	252,996
Acquisitions	212,136	800
Allowance for impairment	(1,000)	-
At 31 December	464,932	253,796

Look Balance Co., Ltd.

At the extraordinary shareholders meeting of Look Balance Co., Ltd. on 27 May 2014, the shareholders passed a special resolution to increase the company's registered capital by Baht 212 million by issuing 2.12 million shares at Baht 100 par value. The subsidiary's newly issued share capital has been fully paid up and registered the increase in share capital with the Ministry of Commerce on 29 May 2014.

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
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Investments in subsidiaries as at 31 December 2014 and 2013, and dividend income from those investments for the year ended were as follows:

Separate financial statement

	Ownership Interest		Paid-up capital		Cost		Impairment		Cost – net of impairment		Dividend income	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(%)		(in thousand Baht)									
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	657,492	435,245
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	99.97	79.99	1,000	1,000	1,000	800	(1,000)	-	-	800	-	-
MC INTER LIMITED	100.00	100.00	-	-	-	-	-	-	-	-	-	-
Look Balance Co., Ltd	99.97	99.97	213,000	1,000	212,936	1,000	-	-	212,936	1,000	-	-
Total					465,932	253,796	(1,000)	-	464,932	253,796	657,492	512,222
Indirect subsidiaries												
Time Deco Corporation Limited	51.00	51.00	20,410	20,410	200,000	200,000	-	-	200,000	200,000	-	-

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

12 Property, plant and equipment

	Consolidated financial statements						Total
	Land and improvements	Building factory and improvements	Machines and factory equipment	Fixtures and office equipment (in thousand Baht)	Motor vehicles	Assets Under installation	
Cost							
At 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 and 1 January 2014	17,032	307,523	274,546	188,064	96,126	46,601	929,892
Additions	-	5,356	9,978	27,089	9,818	187,067	239,308
Transfers	5,129	114,413	1,215	7,936	6,026	(134,719)	-
Disposals	-	(13,623)	(117)	(6,056)	(8,144)	-	(27,940)
At 31 December 2014	22,161	413,669	285,622	217,033	103,826	98,949	1,141,260

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
Notes to the financial statements

	Consolidated financial statements						
	Land and improvements	Building factory and improvements	Machines and factory equipment	Fixtures and office equipment (in thousand Baht)	Motor vehicles	Assets Under installation	Total
<i>Accumulated depreciation</i>							
At 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							
1 January 2014	-	227,928	200,075	118,851	42,876	-	589,730
Depreciation charge for the year	249	51,721	24,569	32,635	14,114	-	123,288
Disposals	-	(12,924)	(81)	(3,078)	(3,256)	-	(19,339)
At 31 December 2014	249	266,725	224,563	148,408	53,734	-	693,679
<i>Net book value</i>							
At 1 January 2013	17,032	41,894	81,762	45,997	38,041	7,150	231,876
At 31 December 2013 and 1 January 2014	17,032	79,595	74,471	69,213	53,250	46,601	340,162
At 31 December 2014	21,912	146,944	61,059	68,625	50,092	98,949	447,581

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	Separate financial statements						
	Land and improvements	Building factory and improvements	Machines and factory equipment	Fixtures and office equipment (in thousand Baht)	Motor vehicles	Assets Under installation	Total
<i>Cost</i>							
At 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 and 1 January 2014	-	61,463	2,785	51,692	51,048	41,320	208,308
Additions	-	4,670	7,409	24,006	6,542	176,704	219,331
Transfers	5,129	103,536	1,215	4,712	6,026	(120,618)	-
Disposals	-	-	-	-	(2,383)	-	(2,383)
At 31 December 2014	5,129	169,669	11,409	80,410	61,233	97,406	425,256
<i>Accumulated depreciation</i>							
At 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 and 1 January 2014	-	15,078	524	13,293	10,581	-	39,476
Depreciation charge for the year	249	39,048	1,160	19,448	10,416	-	70,321
Disposals	-	-	-	-	(901)	-	(901)
At 31 December 2014	249	54,126	1,684	32,741	20,096	-	108,896
<i>Net book value</i>							
At 1 January 2013	-	14,092	1,415	25,751	38,197	1,449	80,904
At 31 December 2013 and 1 January 2014	-	46,385	2,261	38,399	40,467	41,320	168,832
At 31 December 2014	4,880	115,543	9,725	47,669	41,137	97,406	316,360

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries
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13 Goodwill

	Note	Consolidated financial statements	
		2014	2013
		(in thousand Baht)	
Cost			
At 1 January		107,783	-
Acquired through business combinations	4	-	107,783
At 31 December		107,783	107,783
Net book value			
At 1 January		107,783	-
At 31 December		107,783	107,783

14 Intangible assets

	Consolidated financial statements			
	Computer software	Computer software in progress	Other	Total
	(in thousand Baht)			
Cost				
At 1 January 2013	14,011	-	688	14,699
Additions	10,173	-	-	10,173
Acquisition from business combinations	11,508	-	-	11,508
Disposal	(70)	-	-	(70)
At 31 December 2013 and 1 January 2014	35,622	-	688	36,310
Additions	3,992	105,470	-	109,462
At 31 December 2014	39,614	105,470	688	145,772
Accumulated amortization and impairment losses				
At 1 January 2013	10,079	-	329	10,408
Amortization charge for the year	4,033	-	76	4,109
Acquisition from business combinations	9,402	-	-	9,402
Impairment losses	1,975	-	-	1,975
Disposal	(13)	-	-	(13)
At 31 December 2013 and 1 January 2014	25,476	-	405	25,881
Amortization charge for the year	7,217	-	77	7,294
Reversal impairment losses	(2,457)	-	-	(2,457)
At 31 December 2014	30,236	-	482	30,718
Net book value				
At 1 January 2013	3,932	-	360	4,291
At 31 December 2013 and 1 January 2014	10,146	-	283	10,429
At 31 December 2014	9,378	105,470	206	115,054

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	Separate financial statements			Total
	Computer software	Computer software in progress (in thousand Baht)	Other	
Cost				
At 1 January 2013	8,977	-	385	9,362
Additions	7,502	-	-	7,502
At 31 December 2013 and 1 January 2014	16,479	-	385	16,864
Additions	2,173	105,470	-	107,643
At 31 December 2014	18,652	105,470	385	124,507
Accumulated amortization and impairment losses				
At 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 and 1 January 2014	10,100	-	102	10,202
Amortization charge for the year	3,528	-	76	3,604
At 31 December 2014	13,628	-	178	13,806
Net book value				
At 1 January 2013	3,775	-	360	4,135
At 31 December 2013 and 1 January 2014	6,379	-	283	6,662
At 31 December 2014	5,024	105,470	207	110,701

15 Deferred tax

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

	Consolidated financial statements			
	Assets		Liabilities	
	2014	2013	2014	2013
	(in thousand Baht)			
Net Deferred tax assets	129,367	171,720	-	-
	Separate financial statements			
	Assets		Liabilities	
	2014	2013	2014	2013
	(in thousand Baht)			
Net Deferred tax assets	68,087	68,713	-	-

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

	At 1 January 2014	Acquisition from business combinations	Consolidated financial statements Charged / (Credited to)		At 31 December 2014
			Profit or loss	Other comprehensive income	
<i>Deferred tax assets</i>					
Property, plant and equipment	4,133	-	3,663	-	7,796
Intangible assets	2,853	-	(491)	-	2,362
Trade accounts receivable	8,129	-	716	-	8,845
Inventories	50,623	-	(12,508)	-	38,115
Consignment	100,810	-	(39,630)	-	61,180
Employee benefit	2,614	-	344	-	2,958
Tax benefit	2,558	-	5,553	-	8,111
Total	171,720	-	(42,353)	-	129,367

	At 1 January 2013	Acquisition from business combinations	Consolidated financial statements Charged / (Credited to)		At 31 December 2013
			Profit or loss	Other comprehensive income	
<i>Deferred tax assets</i>					
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
Total	107,367	44,605	19,748	-	171,720

	At 1 January 2014	Separate financial statements Charged / (Credited to)		At 31 December 2014
		Profit or loss	Other comprehensive income	
<i>Deferred tax assets</i>				
Intangible assets	1,469	-	-	1,469
Trade accounts receivable	7,405	727	-	8,132
Inventories	5,813	(132)	-	5,681
Consignment	53,008	(1,671)	-	51,337
Employee benefit	1,018	450	-	1,468
Total	68,713	(626)	-	68,087

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	At 1 January 2013	Separate financial statements Charged / (Credited to)		At 31 December 2013
		Profit or loss	Other comprehensive income	
<i>Deferred tax assets</i>		<i>(in thousand Baht)</i>		
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

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Other accounts receivable	400	-	400	-
Long-term loans	4,600	-	4,600	-
Total	5,000	-	5,000	-

16 Other non-current assets

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Rental deposit	79,145	48,623	66,688	35,646
Prepaid space booking rental	6,067	9,040	6,067	9,039
Others	19,654	11,160	18,133	4,580
Total	104,866	68,823	90,888	49,265

MC GROUP PUBLIC COMPANY LIMITED and its Subsidiaries

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17 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Current				
Bank overdrafts				
Secured	43,561	22,457	-	-
Short-term loans from financial institutions				
Secured	26,490	-	-	-
Liabilities under trust receipts				
Secured	85,367	85,755	-	-
Total current interest-bearing liabilities	155,418	108,212	-	-

Interest-bearing liabilities as at 31 December were 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:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(% per annum)</i>			
Overdrafts	2.625 - 7.625	4.2 - 4.4	-	-
Short-term loans from financial institutions, liabilities under trust receipts	3.10 - 5.25	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.

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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 22, the Company offered its common shares to the initial public offering in June 2013. The Company agreed to use the 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 2014 and 2013 were denominated entirely in Thai Baht.

18 Trade accounts payable

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2014	2013	2014	2013
			<i>(in thousand Baht)</i>		
Related parties	5	7,245	28,327	563,283	787,607
Other parties		484,068	412,877	215,486	132,685
Total		491,313	441,204	778,769	920,292

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

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
		<i>(in thousand Baht)</i>		
Thai Baht (THB)	418,357	349,566	778,445	920,292
United States Dollars (USD)	68,879	88,485	-	-
Singapore dollar (SGD)	112	117	-	-
Euro Currency (EUR)	423	366	324	-
Swiss France (CHF)	2,203	2,670	-	-
Yen (JPY)	1,339	-	-	-
Total	491,313	441,204	778,769	920,292

19 Other payables

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2014	2013	2014	2013
			<i>(in thousand Baht)</i>		
Related parties	5	2,620	4,563	21,624	34,769
Other parties		35,572	42,470	24,293	25,202
Total		38,192	47,033	45,917	59,971

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Notes to the financial statements

20 Other current liabilities

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Accrued bonus	33,180	59,709	13,998	31,706
Accrued shop rental expense	23,509	19,615	23,314	19,615
Accrued commission	12,689	14,647	11,151	13,085
Accrued rebate expense	34,115	40,674	27,068	32,270
Accrued withholding tax	5,212	16,093	3,943	14,134
Others	45,848	43,395	23,964	24,512
Total	154,553	194,133	103,438	135,322

21 Employee benefit obligations

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Statement of financial position obligations for:				
Post-employment benefits	40,685	39,204	21,060	18,812
For the year ended to 31 December				
Statements of comprehensive income (Recognized in profit and loss)				
Post-employment benefits	8,080	11,046	4,402	5,088

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:

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January		39,204	38,948	18,812	25,146
Received from acquisition of business combinations	4	-	4,033	-	-
Benefits paid by the plan		(6,626)	(14,823)	(2,154)	(11,422)
Current service costs and interest		8,080	11,046	4,402	5,088
Defined benefit obligations at 31 December		40,658	39,204	21,060	18,812

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Notes to the financial statements

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

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>For the year ended 31 December</i>				
Current service costs	6,781	9,393	3,702	4,262
Interest on obligation	1,299	1,653	700	826
Total	8,080	11,046	4,402	5,088

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

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(%)</i>			
Discount rate	3.7307	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.

22 Share capital

	<i>Par value per share (Baht)</i>	2014		2013	
		Number	Baht (Shares / thousand Baht)	Number	Baht
<i>Authorised</i>					
At 1 January					
- Ordinary shares	10	-	-	30,000	300,000
- Ordinary shares	0.50	800,000	400,000	-	-
Reduction in par value					
- from Baht 10 to Baht 0.50	0.50	-	-	600,000	300,000
Increase of new shares	0.50	-	-	200,000	100,000
At 31 December					
ordinary shares	0.50	800,000	400,000	800,000	400,000
<i>Issued and paid-up</i>					
At 1 January					
- Ordinary shares	10	-	-	30,000	300,000
- Ordinary shares	0.50	800,000	400,000	-	-
Reduction in par value					
- from Baht 10 to Baht 0.50	0.50	-	-	600,000	300,000
Increase of new shares	0.50	-	-	200,000	100,000
At 31 December					
ordinary shares	0.50	800,000	400,000	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.

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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 authorised 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.

23 Reserves

Reserve comprises:

Appropriations of profit and/or retained earnings

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 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 authorised capital. The legal reserve is not available for dividend distribution.

24 Segment information

Business segments

The 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.

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Information about reportable segments

	Segment 1		Segment 2		Total	
	Business of clothing and accessories		Business of Watch			
	2014	2013	2014	2013	2014	2013
	<i>(in thousand Baht)</i>					
External revenue	3,115,270	2,947,298	419,357	69,781	3,534,627	3,017,079
Inter-segment revenue	2,499	-	479	-	2,978	-
Total segment revenue	<u>3,117,769</u>	<u>2,947,298</u>	<u>419,836</u>	<u>69,781</u>	<u>3,537,605</u>	<u>3,017,079</u>
Elimination of inter-segment revenue					-	-
Total revenue					<u>3,537,605</u>	<u>3,017,079</u>
Interest revenue	37,769	27,436	-	-	37,769	27,436
Interest expense	-	(16,527)	(6,132)	(926)	(6,132)	(17,453)
Depreciation and amortisation	<u>(114,433)</u>	<u>(83,644)</u>	<u>(16,149)</u>	<u>(2,471)</u>	<u>(130,582)</u>	<u>(86,115)</u>
Segment profit (loss) before income tax	<u>755,587</u>	<u>806,850</u>	<u>43,200</u>	<u>2,878</u>	<u>798,787</u>	<u>809,728</u>
Capital expenditure	<u>330,222</u>	<u>42,232</u>	<u>18,548</u>	<u>2,986</u>	<u>348,770</u>	<u>45,218</u>
Other material non-cash items:						
- Provision for inventory obsolescence						
- (reverse)	(12,661)	8,020	-	-	(12,661)	8,020
Segment assets	4,218,984	4,039,645	529,978	504,766	4,748,962	4,544,411
Unallocated amount						
Goodwill					107,783	107,783
Total Assets					<u>4,856,745</u>	<u>4,652,194</u>
Segment liabilities	626,216	629,062	305,672	321,762	<u>931,888</u>	<u>950,824</u>

Geographical information

The Group is mostly managed and operates principally in Thailand. There are no material revenues derived from, or assets located in, foreign countries.

25 Investment income

		Consolidated		Separate	
		financial statements		financial statements	
	<i>Note</i>	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
<i>Dividend income</i>					
Subsidiaries	5	-	-	657,492	512,222
Other parties		6	6	-	-
		<u>6</u>	<u>6</u>	<u>657,492</u>	<u>512,222</u>
<i>Interest revenue</i>					
Subsidiaries	5	-	-	4,141	4,033
Other parties		37,769	27,436	37,768	27,432
		<u>37,769</u>	<u>27,436</u>	<u>41,909</u>	<u>31,465</u>
Total		<u>37,775</u>	<u>27,442</u>	<u>699,401</u>	<u>543,687</u>

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26 Other income

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Gain on disposal of assets	-	49	-	88
Rental income	474	745	872	-
Gain on disposal of investments	11,511	2,855	11,462	2,775
Revenue from sale of materials	1,639	2,006	284	-
Reversal of doubtful accounts	-	2,178	-	-
Income from insurance	-	2,500	-	-
Others	16,453	6,495	26,456	20,389
Total	30,077	16,828	39,074	23,252

27 Selling expenses

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Personnel	339,500	289,059	306,389	287,169
Advertising and public relations	16,873	18,419	13,411	13,973
Rental and services	277,995	180,617	260,988	178,744
Others	144,597	81,223	127,634	78,711
Total	778,965	569,318	708,422	558,597

28 Administrative expenses

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Personnel	183,865	167,565	142,718	160,418
Marketing	29,023	31,272	16,782	20,509
Rental and services	23,155	11,224	26,168	16,500
Professional fees	17,782	23,737	10,963	27,353
Bad and doubtful debts expense	3,642	-	28,640	1,462
Others	114,643	98,687	88,148	76,811
Total	372,110	332,485	313,419	303,053

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29 Employee benefit expenses

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Managements</i>				
Wages and salaries	39,357	55,443	37,559	39,485
Post-employment benefits	1,727	2,541	1,357	1,234
Defined contribution plans	1,082	846	1,082	798
Others	1,930	1,807	1,008	562
	44,096	60,637	41,006	42,079
<i>Other employees</i>				
Wages and salaries	602,794	516,348	110,489	130,546
Post-employment benefits	6,353	8,505	3,045	3,854
Defined contribution plans	2,680	2,493	2,402	2,427
Others	188,577	175,254	16,625	19,945
	800,404	702,600	132,561	156,772
Total employee benefit expenses	844,500	763,237	173,567	198,851

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.

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30 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:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Changes in inventories of finished goods	(103,035)	(263,477)	1,864,287	1,835,285
Work in progress	(33,424)	13,231	-	-
Raw materials and consumables used	1,250,944	1,062,470	-	-
Personnel	844,500	763,237	173,567	198,851
Personnel services fee	88	-	275,540	253,370
Staff outsourcing services fees	41,606	64,544	-	-
Advertising costs	40,735	51,022	30,193	41,326
Professional fees	22,768	28,865	14,861	21,370
Rental and services	316,783	202,294	287,156	199,253
Depreciation and amortisation	128,395	86,115	72,862	35,658
Impairment losses	-	1,975	1,000	2,646
Bad and doubtful debts expense	3,642	-	28,640	1,462
Others	219,683	179,622	138,022	112,370
Total cost of sales of goods, selling expenses, administrative expenses	2,732,685	2,189,898	2,886,128	2,701,591

31 Finance costs

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Interest expenses					
Related parties	5	-	-	-	1,451
Other parties		6,132	17,453	10	16,081
Total		6,132	17,453	10	17,532

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32 Income tax expense

Income tax recognized in profit or loss

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2014	2013	2014	2013
		(in thousand Baht)			
Current tax expense					
Current year		27,403	97,866	51,177	75,223
Adjustment for prior years		1,401	(847)	-	(5,465)
		<u>28,804</u>	<u>97,019</u>	<u>51,177</u>	<u>69,758</u>
Deferred tax expense					
Movements in temporary differences	15	42,353	(19,748)	626	(22,312)
		<u>42,353</u>	<u>(19,748)</u>	<u>626</u>	<u>(22,312)</u>
Total		71,157	77,271	51,803	47,446

Reconciliation of effective tax rate

	Consolidated financial statements			
		2014		2013
	<i>Tax rate (%)</i>	<i>(in thousand Baht)</i>	<i>Tax rate (%)</i>	<i>(in thousand Baht)</i>
Profit before total income tax expense		<u>798,787</u>		<u>809,728</u>
Income tax using the tax rate	20	159,757	20	161,946
Income from Thai operations not subject to tax		(79,866)		(84,793)
Income tax reduction - current		-		-
Income not subject to tax		(419)		(146)
Expenses not deductible for tax purposes		920		1,160
Other		(9,235)		(896)
Total	8.9	<u>71,157</u>	9.5	<u>77,271</u>

	Separate financial statements			
		2014		2013
	<i>Tax rate (%)</i>	<i>(in thousand Baht)</i>	<i>Tax rate (%)</i>	<i>(in thousand Baht)</i>
Profit before total income tax expense		<u>890,810</u>		<u>747,601</u>
Income tax using the tax rate	20	178,162	20	149,520
Income tax reduction - current		-		-
Income not subject to tax		(131,719)		(102,573)
Expenses not deductible for tax purposes		160		934
Temporary differences which no deferred tax asset was recognised		5,200		-
Other		-		(435)
Total	5.8	<u>51,803</u>	6.3	<u>47,446</u>

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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. Royal Decree No. 577 B.E. 2557 dated 10 November 2014 extends the reduction to 20% for the accounting period 2015 which begins on or after 1 January 2015.

The Group has applied the reduced tax rate of 20% in measuring deferred tax assets and liabilities as at 31 December 2014 and 2013 in accordance with the clarification issued by the FAP in 2012.

33 Basic earnings per share

Basic earnings per share

The calculations of basic earnings per share for the year ended 31 December 2014 and 2013 were based on the profit for the year attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the year as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	711,645	733,441	839,007	700,155
Number of ordinary shares issued as at 1 January	800,000	30,000	800,000	30,000
Effect of decrease of the par value	-	570,000	-	570,000
Effect of shares issued on July 1	-	100,822	-	100,822
Weighted average number of ordinary shares outstanding (basic)	800,000	700,822	800,000	700,822
Earnings per share (basic) (in Baht)	0.89	1.05	1.05	1.00

34 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.

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For the year ended 31 December 2014 and 2013, summary of revenue from promoted and non-promoted businesses are as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht / shares)</i>			
Revenue from sale of goods				
Promoted business	899,087	943,763	-	-
Non-promoted business	3,849,206	3,626,451	3,038,473	2,899,785
	<u>4,748,293</u>	<u>4,570,214</u>	<u>3,038,473</u>	<u>2,899,785</u>
<i>Less</i> Eliminations	(1,278,540)	(1,597,405)	-	-
Total	<u>3,469,753</u>	<u>2,972,809</u>	<u>3,038,473</u>	<u>2,899,785</u>

35 Dividends

At the Board of Directors of the Company meeting held on 14 August 2014, the Board approved the appropriation of interim dividend of Baht 0.40 per share, amounting to Baht 320 million. The interim dividend was paid to the shareholders in September 2014.

At the annual general meeting of the shareholders of the Company held on 24 April 2014, the shareholders approved the appropriation of dividend of Baht 0.23 per share, amounting to Baht 184 million. The dividend was paid to the shareholders in May 2014.

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.

36 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.

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Notes to the financial statements

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:

	Effective interest rate (% per annum)	Consolidated financial statements		
		Within 1 year	After 1 year but within 5 years	Total
		(in thousand Baht)		
2014				
Current				
Loans from financial institutions	2.625 - 7.625	155,418	-	155,418
Total		155,418	-	155,418
2013				
Current				
Loans from financial institutions	4.2 - 4.4	108,212	-	108,212
Total		108,212	-	108,212

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.

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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.

37 Commitments with non-related parties

	Consolidated financial statement		Separate financial statement	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
<i>Contracted but not provided for:</i>				
Land and constructions	37,000	-	37,000	-
Total	37,000	-	37,000	-
<i>Non-cancellable operating lease commitments</i>				
Within one year	297,638	203,561	276,473	194,964
After one year but within five years	378,539	193,111	333,251	190,719
After five years	155,374	-	132,989	-
Total	831,551	396,672	742,713	385,683
<i>Other commitments</i>				
Unused letters of credit	33,596	19,987	11,502	-
Bank guarantees	14,032	13,772	520	260
Total	47,628	33,759	12,022	260

Forward contracts

As at 31 December 2014, the Group has forward contracts covering U.S. Dollars currencies with a local financial institution totalling of U.S. Dollars 0.4 million. The repayment terms of the forward contracts are less than one year which was due within February 2015.

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Notes to the financial statements

38 Events after the reporting period

At the Board of Directors of the Company meeting held on 20 February 2015, the Board approved the appropriation of dividends of Baht 0.40 per share, amounting to Baht 320 million.

39 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January in the year indicated, are set out below. The Group does not plan to adopt these TFRS early.

TFRS	Topic	Year effective
TAS 1 (revised 2014)	Presentation of Financial Statements	2015
TAS 2 (revised 2014)	Inventories	2015
TAS 7 (revised 2014)	Statement of Cash Flows	2015
TAS 8 (revised 2014)	Accounting Policies, Changes in Accounting Estimates and Errors	2015
TAS 10 (revised 2014)	Events after the Reporting Period	2015
TAS 12 (revised 2014)	Income Taxes	2015
TAS 16 (revised 2014)	Property, Plant and Equipment	2015
TAS 17 (revised 2014)	Leases	2015
TAS 18 (revised 2014)	Revenue	2015
TAS 19 (revised 2014)	Employee Benefits	2015
TAS 21 (revised 2014)	The Effects of Changes in Foreign Exchange Rates	2015
TAS 23 (revised 2014)	Borrowing Costs	2015
TAS 24 (revised 2014)	Related Party Disclosures	2015
TAS 27 (revised 2014)	Separate Financial Statements	2015
TAS 33 (revised 2014)	Earnings per Share	2015
TAS 34 (revised 2014)	Interim Financial Reporting	2015
TAS 36 (revised 2014)	Impairment of Assets	2015
TAS 37 (revised 2014)	Provisions, Contingent Liabilities and Contingent Assets	2015
TAS 38 (revised 2014)	Intangible Assets	2015
TFRS 3(revised 2014)	Business Combinations	2015
TFRS 8(revised 2014)	Operating Segments	2015
TFRS 10	Consolidated Financial Statements	2015
TFRS 12	Disclosure of Interests in Other Entities	2015
TFRS 13	Fair Value Measurement	2015
TSIC 15 (revised 2014)	Operating Leases - Incentives	2015
TSIC 32 (revised 2014)	Intangible Assets - Web Site Costs	2015
TFRIC 1(revised 2014)	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2015
TFRIC 10 (revised 2014)	Interim Financial Reporting and Impairment	2015
TFRIC 13 (revised 2014)	Customer Loyalty Programmes	2015

The Group 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.



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