



# IT'S MY LIFE STYLE

ANNUAL REPORT





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# VISION | CORE VALUE

## VISION

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

## CORE VALUE | MC WAY

|                     |  |
|---------------------|--|
| <b>Motivation</b>   | Motivated to create best outputs for the customers.  |
| <b>Commitment</b>   | Committed to promises made to the customers and partners under honest business conducts.   |
| <b>Willingness</b>  | Conduct business in all functions with strong will to deliver the best products and services.  |
| <b>Appreciation</b> | Appreciate and respect others as well as their works and be kind to each other both in the same department and organization wide.                        |
| <b>Yes-Mind</b>     | Positively handle all kinds of issues and be ready to tackle the problems under any circumstance and believe that there is a solution for every problem. |



# MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS



## To Shareholders and Other Stakeholders

As everyone could witness, 2015 was another year that brought about many challenges for “Mc Group” as the overall economy was still sluggish and growth was only mild. Consumer demand was subdued from weak purchasing power where low agricultural product prices and high levels of consumer debt were to blame. Our sales revenue took the hit and this resulted in a lower than expected sales revenue growth during the first half. Even under the circumstances, Mc Group was unwavering in creating growth and delivering promises to its stakeholders. With the commitment to growth of its apparel and lifestyle product retail business, Mc Group dedicated its efforts to pursue key strategies only more rigorously under these unfavourable conditions.



Sales channel expansion has been continuously executed focusing on free standing shops given its flexibility compared to other channels. At the end of 2015, total number of points of sales reached 866 locations or 46 more was added from 2014. Since April 2015, we opened a new sales channel through PTT gas stations under the brand “mc mc” to tap into new customer segment of local people and travellers. Furthermore, Mc Group also renamed and refurbished its internet/online channel from [www.WoWme.co.th](http://www.WoWme.co.th) to [www.mcshop.com](http://www.mcshop.com).

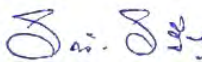
Development and introduction of new products and brands have been stressed to enhance varieties of its product offering. In the past year, “MC” brand launched travel bags and shoulder bags as its new lifestyle products to extend its coverage of customer base to new customer segments. With regard to apparel products, Mc Group developed its new cotton t-shirt with a collaboration from a new business partner under the brand “Mc T” using Soft Tech and Micro Brushed technology. The technology gives the fabric desirable properties including being soft, comfortable, quick-dry, wrinkle-free and non-iron. This can be considered a variety enhancement of product offering to respond to everyday needs of consumers.

With our strong belief in the growth potential of apparel and lifestyle product retail business, Mc Group not only aimed at domestic expansion but also spotted opportunities in business expansion to new growing foreign markets. In 2015, Mc Group commenced on its distribution in Cambodia as well as further expanded its sales footprint in Myanmar, Laos and Vietnam. At the end of 2015, Mc Group’s international sales network already covered 23 points of sales.

For 2016, Mc Group planned to further expand its sales channel both domestically and internationally while distribution improvement and product selection to fit each market are the priorities. Mc Group planned to implement its SAP system in January 2015 as an ERP (Enterprise Resource Planning) system to better manage its business and enhance efficiency. Moreover, Mc Group will continue to offer new products with different features and formats to attract broader ranges of consumers with various lifestyles. More promotional sales campaigns will also be conducted including online marketing through [www.mcshop.com](http://www.mcshop.com) to better serve the needs of customers.

Apart from business growth, Mc Group never look over the importance of human resource development. We believe that sustainable business growth is not possible without a proper human capital of skills, knowledge and expertise in both working and personal lives. In addition, Mc Group stands firm on its responsibility to society, communities and environment with an emphasis on educational supports and other public services. A number of initiatives were undertaken to give back to the society such as Mc Smart Project and Mc Sewing Training for Occupation Development Project.

In conclusion, on behalf of the Board of Directors and management team of Mc Group, I would like to extend our sincere gratitude to all the shareholders, customers as well as business partners for your continuous supports. Again, we are committed to managing the company at our full capacity under good corporate governance for the best and sustainable interest of all stakeholders.



Sunee Seripanu

Chairman of the Board of Directors

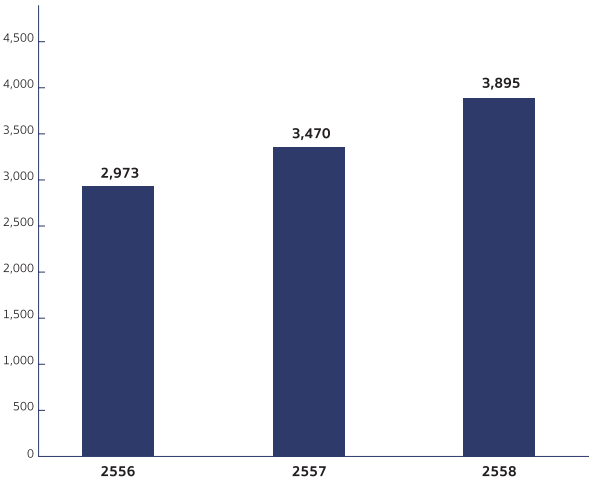


# FINANCIAL SUMMARY

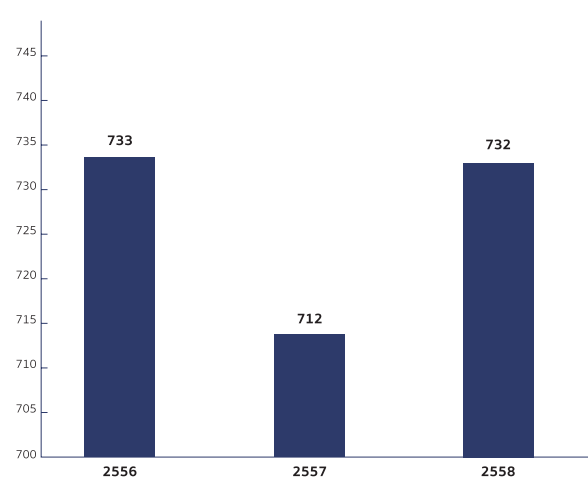
| Summary of Financial Information (in THB millions)                 | Consolidated Financial Statements |       |       |
|--|-----------------------------------|-------|-------|
|  | 2013                              | 2014  | 2015  |
| Statements of Comprehensive Income                                 |                                   |       |       |
| Revenue from sale of goods   | 2,973                             | 3,470 | 3,895 |
| Total income   | 3,017                             | 3,538 | 3,951 |
| Earnings before interest net, taxes, depreciation and amortization | 890                               | 898   | 928   |
| Net profit (loss)  | 733                               | 712   | 732   |
| Statements of Financial Position                                   |                                   |       |       |
| Total assets   | 4,652                             | 4,857 | 5,100 |
| Total liabilities  | 951                               | 932   | 1,024 |
| Total equity   | 3,701                             | 3,925 | 4,076 |
|  | Consolidated Financial Statements |       |       |
|  | 2013                              | 2014  | 2015  |
| Profitability (%)  |                                   |       |       |
| Gross profit margin  | 56.7                              | 54.4  | 56.1  |
| EBITDA margin  | 29.8                              | 25.7  | 23.6  |
| Net profit margin  | 24.3                              | 20.1  | 18.5  |
| Return on total assets   | 22.0                              | 15.0  | 14.7  |
| Return on total equity   | 33.2                              | 19.2  | 18.8  |
| Debt to Equity Ratios (Times)                                      |                                   |       |       |
| Total debt to equity ratio   | 0.3                               | 0.2   | 0.3   |
| Per Share Information (THB)  |                                   |       |       |
| Book value per share   | 4.6                               | 4.9   | 5.1   |
| Earnings per share   | 0.9                               | 0.9   | 0.9   |
| Dividends per share  | 0.7                               | 0.8   | 0.8   |



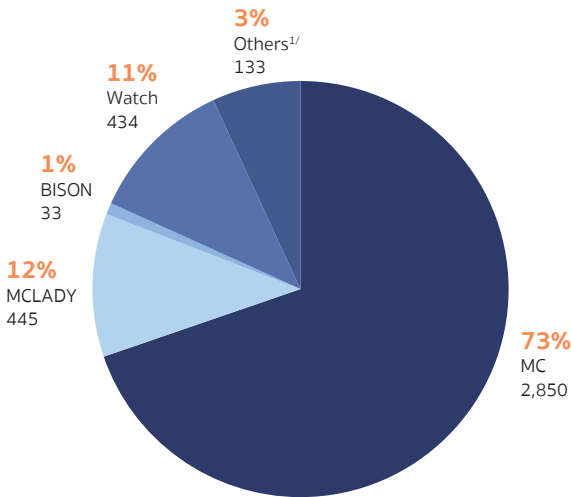
Revenue From Sales of Goods  
(in THB millions)



Net Profit  
(in THB millions)

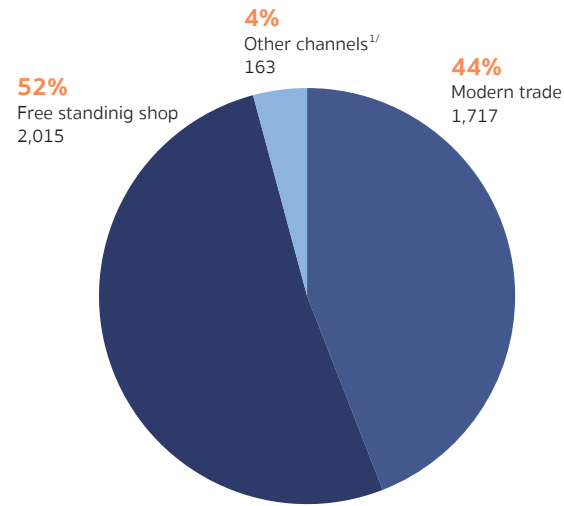


2015 Revenue Structure - By Brands  
(in THB millions)



Remark: <sup>1/</sup>Other revenues are Products MC PINK, MC MINI, BLUE BROTHERS, MCMC, Sales of products and services through online/internet channel, and revenues from sales of accessories to outsource manufacturers

2015 Revenue Structure - By Distribution Channels  
(in THB millions)



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

# BOARD OF DIRECTORS







# DIRECTORS

Ms. Sunee Seripanu

1

**Chairman of the Board of Directors**  
**Member of Executive Committee**  
**Chief Executive Officer**  
**Managing Director**

51 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 / Chief Executive Officer / Managing Director, 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, MC JEANIOUS Co., Ltd.
- Director, TOP T 2015 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 : 10 companies

Mr. Virach Seripanu

2

**Director**  
**Member of Executive Committee**  
**Member of Nomination and Remuneration Committee**  
**Member of Sustainable Development Committee**  
**Senior Executive Vice President Production Workgroup**

53 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 / Senior Executive Vice President Production Workgroup, MC GROUP Plc.
- Director, P.K. Garment (Import-Export) Co., Ltd.
- Director, Mc Jeans Manufacturing Co., Ltd.
- Director, Winnerman Co., Ltd.
- Director, Wowme Co., Ltd.
- Director, Look Balance Co., Ltd.
- Director, MC JEANIOUS 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 : 6 companies



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

65 years old

Appointed 23 April 2015

**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 46/2003, the National Defence College.
- Director Certification Program (DCP), Class 7 4/2006, Thai Institute of Directors (IOD)
- Director Accreditation Program (DAP), Class 14/2004, Thai Institute of Directors (IOD)
- 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 : 3 companies
- Other companies : 4 companies

**Independent Director****Member of Audit Committee****Member of Risk Management Committee**

65 years old

Appointed 23 April 2015

**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), Class180/2013, 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 companies

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

51 years old

Appointed 23 April 2015

**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.
- Director, Sime Darby (Thailand) Co., Ltd.
- Director, Greenspot Co., Ltd.
- Director, SG Sagawa (Thailand) 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, 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 : -None-
- Other companies : 16 companies

**Director****Chairman of Sustainable Development Committee**

50 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
- Director Certification Program (DCP) class 212/2015

**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 companies
- Other companies : 2 companies



**Independent Director**

69 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/ Chairman of Audit Committee, Three Sixty Five Plc.
- Independent Director, Loxley 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 : 5 companies
- Other companies : 4 companies

**Independent Director**

52 years old

Appointed 11 November 2015

**Education/Training**

- M.I.S. - Master degree in Management Information System from University of West Virginia, Graduate Studies in the United States with special management program at Marshall University Ohio USA
- B.S. - Bachelor degree in Business Management major Accounting from Ramkhamhaeng University. Graduate with honor ranking of 5Gs scholarship
- Director Certification Program (DCP) class 49/2004
- IMD Leadership Development Program by Thailand Listed Company Assoc. 2015
- Certified Berkeley Institution Executive Coaching (BEIC) 2014
- Enhancing the Competitiveness of Thai Companies by IMD Switzerland powered by TLCA Thailand Listed Company Association (LDP1)
- LSP1 – Leadership Successor Program for State Enterprises powered by Ministry of Finance
- CMA14 (Capital Market Academy) from The Stock Exchange of Thailand
- EDP6 Executive Development Program, Chairman of Alumni 6 sponsored by TLCA
- Executive Committee of Thai Listed Company Associations (TLCA)

**Current directorship in other companies**

- Independent Director, Mc Group Plc.
- Independent Director / Chairman of the Corporate Governance Committee, Total Access Communication Public Company Limited
- Director, dtac TriNet Co., Ltd.
- Managing Director, DHL Express International (Thailand) Ltd.

**Number of Companies with Current Directorship**

- Listed company : 1 companies
- Other companies : 2 companies

# 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”
- 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.



## 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

- 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.
- Introduced “Mc Me” under “Mc” brand to the market to reach new target group of women aged over 40 years
- 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.

## 2014

- Appointed sales agents to distribute MC GROUP’s products in Vietnam
- Officially opened “The Blue Brothers Denim Store”, MC GROUP’s first premium store
- 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.
- Introduced “Mc Plus” under “Mc” brand to the market to reach new target group of plus size customers.

# KEY CHANGES AND DEVELOPMENTS IN 2015

**February** Relocated the warehouse and distribution center from Factory 1 to a warehouse rented from WHA Corporation PLC on Romklao Road.



**March** Launched a new product “Mc travel bag” under “Mc” brand as a lightweight lifestyle product for travellers.



**April** Opened its new sales channel in PTT gas stations under new brand “mc mc” to cater to local customers and travellers. At the end of 2015, there were 10 mc mc stores in PTT gas stations.



**May** Set up “Mc Jeanious Co., Ltd.” as a holding company to invest in its joint ventures.

**August** Mc Jeanious Co., Ltd. signed a 51:49 joint venture agreement with Phet Kasem Holding Co., Ltd. (An expert in textile production) to invest in Top T 2015 Co., Ltd. The new company manages and distributes new products under “Mc T” brand aimed to extend varieties in offerings for shirt market.



**October** Appointed a sales agent of MC GROUP in Cambodia.



**December** Changed the name and look of its online channel website from [www.WoWme.co.th](http://www.WoWme.co.th) to [www.mcshop.com](http://www.mcshop.com). The new online site is expected to be officially launched in 2016.



# POLICY AND OVERVIEW OF BUSINESS

## VISION, OBJECTIVES, TARGETS AND STRATEGIES

MC Group Public Company Limited (“MC GROUP”) and its subsidiaries aspired to become a leading organization 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. To enhance its capacity in maximizing profitability, the following strategies will be implemented thoroughly to achieve the mentioned targets:

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

MC GROUP focuses on designing and extending product varieties as well as creating new innovations to meet the needs of all customer groups. In addition, it also emphasizes on building brand awareness to better promote the products to the customers.

Besides, MC GROUP has a plan to continuously develop new products to tap into new markets with different and specific needs. In 2015, MC GROUP introduced its new brand “Mc T”, a t-shirt clothing line using Soft Tech with micro brush technology that enhances wearing comfortability customers can feel from a touch. In addition, the markets for other two lines of products introduced earlier are also growing well and there was less competition. “Mc Plus” was created for customers with plus sizes while “Mc Edition” was designed to offer business casual style for working days.

### **2. Sales Channel Strategy**

#### **2.1 Expand sales channels nationwide to reach all customers**

MC GROUP set its sales footprint target to cover all parts of Thailand by increasing the number of free standing shops and points of sales in modern trade venues. At the end of 2015, MC GROUP had in total 866 points of sales and planned to add around 40-50 points of sales annually focusing mainly on its free standing shops. The reason of this is that free-standing shop allows better product management as well as greater flexibility for introductions of new products such as innovative T-shirts, bags, shoes, or merchandises for women and kids. It is also easier regarding logistics of inventories and sales promotions. This resulted in better inventory management that will lead to higher sales and profitability. Moreover, free standing shops directly collect money from customers on a daily basis and helps reduce average collection period and leads to more effective liquidity 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 analyzes all relevant factors including location, malls’ potentials, 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](http://www.wowme.co.th) in June 2013 to expand to alternative sales channel to further reach retail customers. Later in December 2015, MC GROUP brushed up the look and renamed its online channel to [www.mcshop.com](http://www.mcshop.com), offering all kinds of apparels under its group of companies. MC GROUP is confident that this online channel strategy will improve access to customers as well as provide customers with higher convenience.

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

MC GROUP planned to broaden their customer base to foreign markets. Our current ASEAN footprint includes appointed sales agents in Myanmar, Laos and Vietnam. In 2015, MC GROUP entered an agreement with a sales agent in Cambodia and opened its first free-standing shop in the center of Phnomphen. We targeted to expand further to other markets under AEC including Indonesia and Malaysia. 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.

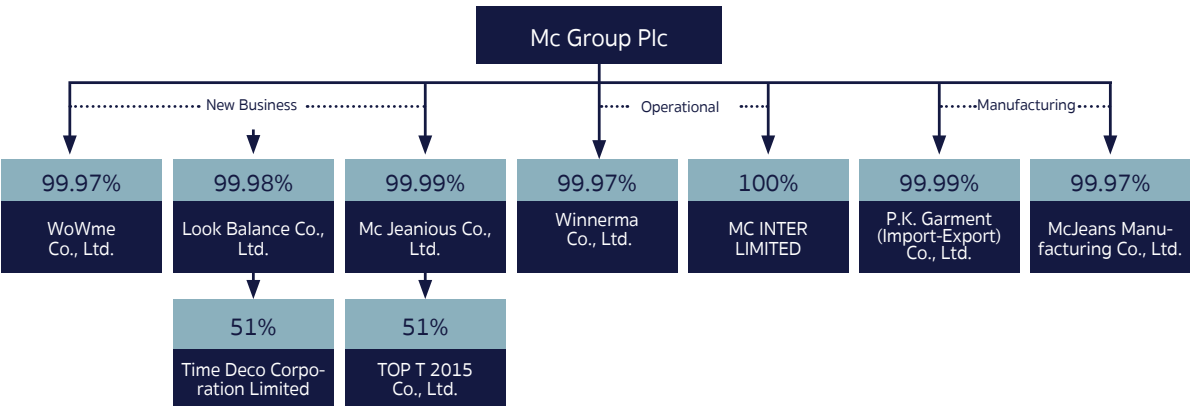
In 2015, MC GROUP registered another company, Top T 2015 Co., Ltd. as a joint venture between companies under MC Group’s subsidiary and Phetkasem Holding, Co., Ltd. to develop and produce top wears using new technology under the brand Mc T.

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, product distribution to sales channel management. Process improvement and implementation of information technology are also key to enhance production efficiency and distribution effectiveness, control productions of outsourced suppliers as well as reduce time-to-market of the product and manage and distribute products more efficiently.

In addition to 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 performance management with clear and measurable criteria are also stressed to engage and incentivize our employees.

SHAREHOLDING STRUCTURE OF THE GROUP OF COMPANIES

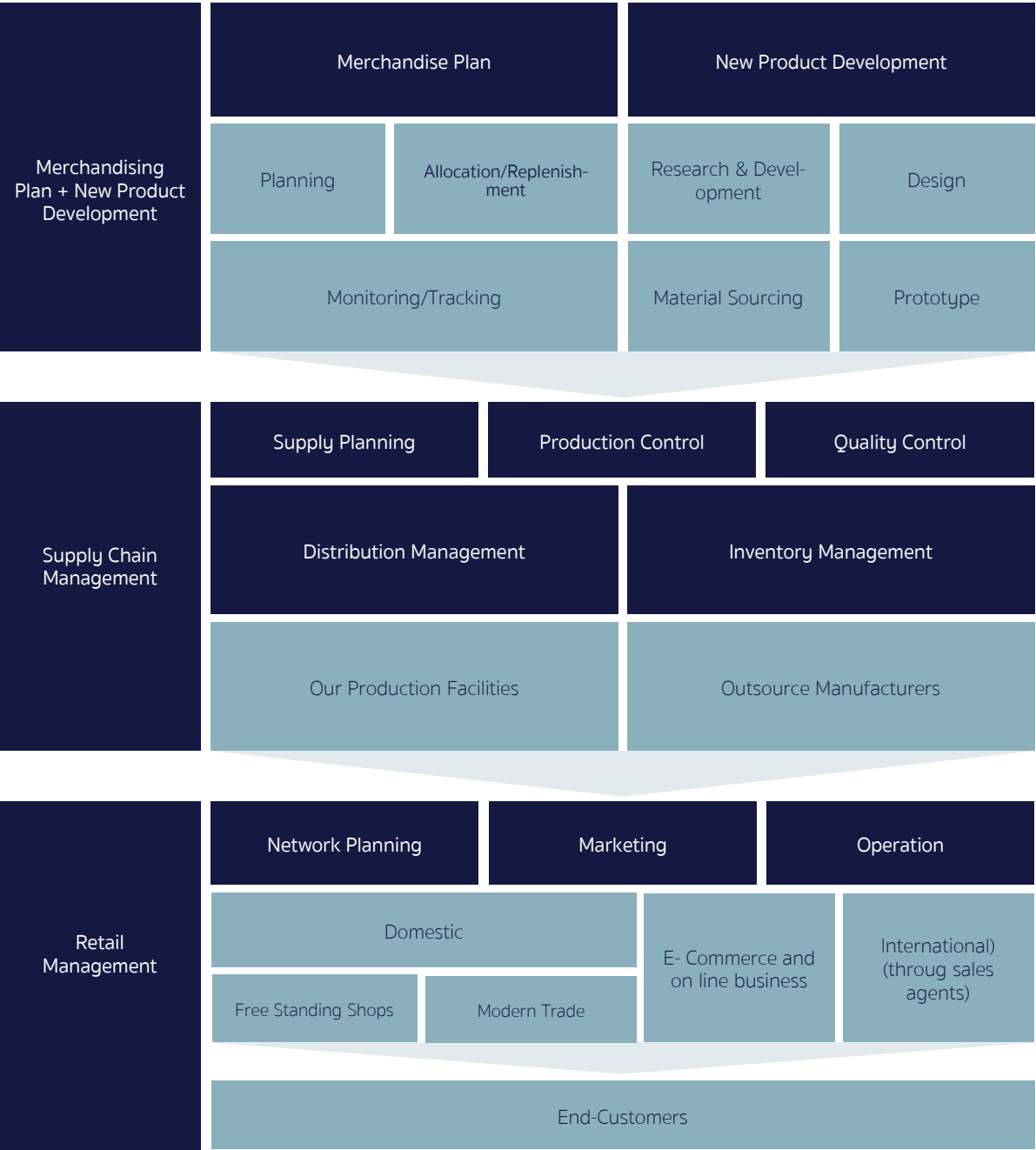


COMPANY PROFILE: MC GROUP AND SUBSIDIARIES’

| 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%         |
| McJeans 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  | 99.98%         |
| Mc Jeanious Co., Ltd.                  | 16,000,000                        | Invests in other businesses  | 99.99%         |
| Time Deco Corporation Limited          | 20,410,000                        | Imports and distributes leading fashion watches from all over the world                                      | 51.00%         |
| TOP T 2015 Co., Ltd.                   | 30,000,000                        | Trade and Product management   | 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 product retail business under the group of companies' own brands/trademarks as well as those of other companies. The business scope covers brand management, sales and marketing management, design, product sourcing, warehouse management to product distribution for all kinds of products under the group of companies. Its business model can be summarized in the following diagram.



Successfully growing its business through a nationwide sales network, MC GROUP realized the importance of value creation in distributing its quality products under popular brands through strong sales network as it enhances stability as well as promotes product variety. Our business model emphasizes the importance of following functions:

## **1) Merchandising Plan and New Product Development**

First of all, merchandising plan and new product development are the bedrock of our business model. Customer demand analysis is conducted to keep abreast of fashion trends, trending styles and changes in consumer behaviour overtime so MC GROUP can leverage on the understanding of consumer behaviour to develop and offer products or brands that best fit customers' needs. Additionally, demand planning as well as raw material sourcing are key to quality control, cost management and thus our competitiveness. MC GROUP also works closely with suppliers and manufacturers to ensure the right formats, patterns, styles and other desirable traits.

## **2) Supply Chain Management**

Relating to apparels, MC GROUP has 2 main production sources which are owned production facilities and outsource manufacturers. Our outsource manufacturers are trusted sources of products in terms of quality and on-time delivery as a result of years of good rapports with these manufacturers. Thanks to these 40 years in the business as a manufacturer ourselves, 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 demands.

With regard to watch business, MC GROUP acts as an agent and directly makes orders to brand owners. Therefore, MC GROUP is able to estimate monthly sales and make monthly orders that are aligned with customers' demand. Besides, equal attention was paid to inventory management and transportation and logistics to deliver our products efficiently to our shops and other points of sales.

## **3) Retail Network Management**

MC GROUP put importance on managing its retail network to reach all types of customers. The Company gave priorities to its retail network expansion focusing mainly on 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 perform location analysis based on various data points relevant 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. Recently, the Company has its presence in Myanmar, Laos, Vietnam and Cambodia while Indonesia, and Malaysia are our next destinations to be reached in the near future.

Apart from 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 is also under process of implementing its new Information technology to effectively distribute its products and handle its inventories. The consolidation of warehouses into one distribution center, was complete since the first quarter of 2015 while the implementation of Enterprise Resource Planning system (ERP) is progressing well as SAP system is scheduled go live for end-users on 1st January 2016.

## **Products and Services**

### **MC GROUP's Brands and Products**

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

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

According to Jeans Business in Thailand research report from Thai Business Management Association (TMA), Mc brand ranked first in sales revenue in jeans wears for Thai market. Products under Mc brands are mostly denim products. With over 40 years experience in manufacturing of jeans with outstanding pattern making, "Mc Jeans" never ceases to make distinction in jeans market considering its superb quality and finesse from attention to details paid in all its production processes. Moreover, pricing strategies as well as new product developments also contributed to the successful reach to all types of customers.



In 2015, Mc Jeans has stepped up in its product diversification and developed its new products beyond apparels. Mc Jeans brand launched new accessories such as travel bags, shoulder bags and shoes to serve the purpose of entering into lifestyle product markets as envisioned. Given its brand's strength and continuous development of new product lines, Mc Jeans is still by far the main revenue contributor of Mc Group, making up 73.2% of total sales revenue in 2015.

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

“Mc Lady” brand represents its exciting “Simply Stylish” DNA that portrays a concept and a character of chic simplicity where stylish designs are subtly embodied in a superior fitting that accentuates femininity of Asian ladies. Mc Lady targets fashionable young urban women aged between 18 - 25 years old including teenagers, university students and first jobbers. In 2015, Mc Lady contributed 11.4% of the total sales revenue.

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

Bison targets young men with casual styles who look for something they can wear with comfortability in leisure time. The brand offers shirts and printed t-shirts with better value for money for customers through hypermarket channel.

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

MC GROUP created Mc Pink as a women fashion product line under the concept “Trendy Wear” catering to young women especially university students, and working women between 18-25 years of age. The target group is characterized as fashionable, independent, sociable and with more frequent turnover of their clothing. Currently, Mc Pink is distributed through “Mc Lady” shops across the country.

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

Mc Mini was developed under the idea that aims to pass on styles from a generation to another. The brand targets boys and girls between 6-12 years old by presenting uniqueness and classic Mc Jeans style while adding colour, liveliness and fun to underline youthfulness. This also differentiates the product from other kids wears currently present in the market.

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

“mc mc by Mc” introduces simplicity and comfortability to everyone in the family under the concept “Ready fun at one stop with mc mc” The brand emphasizes on the balance of prices and quality, perfect for target groups of all ages and genders. “mc mc by Mc” offers versatility through various products such as t-shirts, denim bottoms, shirts, jackets for customers to mix&match and bring out their 365 day casual styles confidently and freely.

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

The Blue Brothers offers premium denim wears for jeans lover and collectors. All collections portray individuality and unique lifestyle made available from imported quality raw materials to handcraft delicacy in all production processes aimed to cater specifically to jeans lovers who seek identity and distinctiveness. Thanks to its quality, proper pricing and unique concept, the Blue Brothers is well-accepted among jeans lovers. At present, 3 stores under “The Blue Brothers Denim Store” were opened at K Village, Fashion Island and The Mall Bang Kapi.

## **8. Apparels and related wears under other brands “McT”**

From an analysis of the needs of MC GROUP's customers that shows a strong demand for t-shirts to complement existing MC GROUP's products, the Company developed a new t-shirt using Soft Tech technology to create a special fabric. This new product offers superior properties to common stretch fabrics which are velvet-like softness, wrinkle resistance and quick dry quality. The product was premiered in 2015 under “Mc T” and gained satisfactory feedbacks thanks to the special fabric, unique and exquisite patterns as well as affordable prices.

## **9. 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. The watches cater 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 11.1% of total sales revenue in 2015.

## Revenue Structure

Revenue Structure of MC GROUP and its subsidiaries accounting to financial statement for 2013 – 2015 are as follow:

### 1. Revenue Structure by Product

| Merchandise Plan   | 2013         |       | 2014         |       | 2015         |       |
|--|--------------|-------|--------------|-------|--------------|-------|
|  | million baht | %     | million baht | %     | million baht | %     |
| Revenue from ready-to-wear clothing and related apparels |              |       |              |       |              |       |
| 1. Mc <sup>1/</sup>                                      | 2,263        | 76.1  | 2,421        | 69.8  | 2,850        | 73.2  |
| 2. Mc Lady   | 496          | 16.7  | 492          | 14.2  | 445          | 11.4  |
| 3. Bison   | 120          | 4.0   | 80           | 2.3   | 33           | 0.8   |
| 4. Mc Mini   | 9            | 0.3   | 21           | 0.6   | 25           | 0.7   |
| 5. mc mc   | 1            | 0.0   | 9            | 0.3   | 33           | 0.8   |
| 6. Mc T  | -            | -     | -            | -     | 57           | 1.5   |
| 7. Other Brands  | 15           | 0.5   | 34           | 1.0   | 18           | 0.5   |
| Subtotal   | 2,903        | 97.7  | 3,057        | 88.1  | 3,461        | 88.9  |
| Revenue from lifestyle products                          |              |       |              |       |              |       |
| 1. Revenue from online channel <sup>2/</sup>             | 2            | 0.1   | 1            | 0.0   | 0            | 0.0   |
| 2. Revenue from watch sales <sup>3/</sup>                | 67           | 2.2   | 412          | 11.9  | 434          | 11.1  |
| Total Sales Revenue                                      | 2,973        | 100.0 | 3,470.0      | 100.0 | 3,895        | 100.0 |

Remark: <sup>1/</sup> Other revenues are mainly from sales of accessories to outsource manufacturers  
<sup>2/</sup> Revenue from sales of products and services through online/internet channel from 1 June 2013  
<sup>3/</sup> Revenue from watch sales from 1 November 2013

### 2. Revenue Structure by Sales Channel

| Consolidated Financial Statements | 2013         |       | 2014         |       | 2015         |       |
|-----------------------------------|--------------|-------|--------------|-------|--------------|-------|
|                                   | million baht | %     | million baht | %     | million baht | %     |
| 1. Modern trade                   | 1,784        | 60.0  | 1,663        | 47.9  | 1,699        | 43.6  |
| 2. Free standing shop             | 1,140        | 38.4  | 1,647        | 47.5  | 2,016        | 51.8  |
| 3. Other channels <sup>1/</sup>   | 49           | 1.6   | 160          | 4.6   | 180          | 4.6   |
| Total Sales Revenue               | 2,973        | 100.0 | 3,470        | 100.0 | 3,895        | 100.0 |

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

## Sales Channel

As of 31 December 2015, Mc Group distributed all its products across 843 points of sales in Thailand and 23 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 “The Blue Brothers”
- Free standing shop that distributes fashion woman ready-to-wear clothing under “Mc Lady” and “Mc Pink”
- 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, DKYNY, 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, then Vietnam since April 2013 and Cambodia since 2015. At the end of December 2015, Mc Group had 23 points of sales in foreign markets- 18 in Myanmar, 2 in Laos, 2 in Vietnam and 1 in Cambodia.

**6. Online/Internet channel:** MC GROUP launched a website [www.wowme.co.th](http://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. At the end of December 2015, Mc Group introduced [www.mcshop.com](http://www.mcshop.com) as its online channel to offer apparels, clothing and accessories mainly under its own brands as an alternative for customers who enjoy online lifestyle and as another channel to promote and introduce its products using online marketing.

**7. PTT gas station channel:** MC GROUP also diversified its sales network through PTT gas station channel to enhance its capability in serving domestic customers by introducing mc mc by Mc shop. This is in line with the current trend of booming consumers’ lifestyles and travels as well as retailing business development in gas stations. The mc mc by Mc shop operates under the following strategies

- Multi-brand shop where products under MC GROUP are offered such as Mc jeans, Mc lady and mc mc
- Variety of products from apparels to accessories including hats, sunglasses, bags and others to meet the need of travelers.
- Nationwide expansion where Mc Group planned to open more branches in PTT gas stations in major provinces or key routes near tourist attractions, rest areas or big cities to respond to the needs of both local and international customers (such as tour groups and cross border tourists)

**Number of point of sales by company for 2013, 2014 and 2015**  
**Clothing and apparels under “Mc Group”**

| By Channel                        | 2013 |       | 2014 |       | 2015 |       |
|-----------------------------------|------|-------|------|-------|------|-------|
|                                   | Pos  | %     | PoS  | %     | PoS  | %     |
| Free standing shop                | 174  | 28.0  | 232  | 31.7  | 263  | 34.7  |
| Modern trade                      | 439  | 70.2  | 472  | 64.7  | 467  | 61.6  |
| Mobile Unit and Container         | 1    | 0.2   | 5    | 0.7   | 5    | 0.7   |
| Subtotal-domestic points of sales | 614  | 98.4  | 709  | 97.1  | 735  | 97    |
| Point of sales in foreign markets | 10   | 1.6   | 21   | 2.9   | 23   | 3     |
| Total                             | 624  | 100.0 | 730  | 100.0 | 758  | 100.0 |

**Watches under “Time Deco”**

| By Channel         | 2013 |       | 2014 |       | 2015 |       |
|--------------------|------|-------|------|-------|------|-------|
|                    | PoS  | %     | PoS  | %     | PoS  | %     |
| Free standing shop | 13   | 18.6  | 19   | 21.3  | 25   | 23.1  |
| Modern trade       | 57   | 81.4  | 70   | 78.7  | 83   | 76.9  |
| Total              | 70   | 100.0 | 89   | 100.0 | 108  | 100.0 |

**Number of point of sales by geography for 2013, 2014 and 2015**  
**Clothing and apparels under “Mc Group”**

| By Geography                      | 2013 |       | 2014 |       | 2015 |       |
|-----------------------------------|------|-------|------|-------|------|-------|
|                                   | Pos  | %     | PoS  | %     | PoS  | %     |
| Upcountry                         | 451  | 72.3  | 499  | 68.3  | 513  | 67.7  |
| -Free standing shop               | 137  | 22.0  | 169  | 23.1  | 191  | 25.2  |
| -Modern trade                     | 314  | 50.3  | 330  | 45.2  | 322  | 42.5  |
| Bangkok and vicinities            | 162  | 26.1  | 205  | 28.1  | 217  | 29.3  |
| -Free standing shop               | 37   | 6.1   | 63   | 8.6   | 72   | 9.5   |
| -Modern trade                     | 125  | 20.0  | 142  | 19.5  | 145  | 19.1  |
| Mobile Unit and Container         | 1    | 0.0   | 5    | 0.7   | 5    | 0.7   |
| Subtotal-domestic point of sales  | 614  | 98.4  | 709  | 97.1  | 735  | 97    |
| Point of sales in foreign markets | 10   | 1.6   | 21   | 2.9   | 23   | 3     |
| Total                             | 624  | 100.0 | 730  | 100.0 | 758  | 100.0 |

**Watches under “Time Deco”**

| By Geography           | 2013 |       | 2014 |       | 2015 |       |
|------------------------|------|-------|------|-------|------|-------|
|                        | Pos  | %     | PoS  | %     | PoS  | %     |
| Upcountry              | 28   | 4.0   | 47   | 52.8  | 60   | 55.6  |
| -Free standing shop    | 5    | 7.1   | 10   | 11.2  | 14   | 13.0  |
| -Modern trade          | 23   | 32.9  | 37   | 41.6  | 46   | 42.6  |
| Bangkok and vicinities | 42   | 60.0  | 42   | 47.2  | 48   | 44.4  |
| -Free standing shop    | 8    | 11.4  | 9    | 10.1  | 11   | 10.2  |
| -Modern trade          | 34   | 48.6  | 33   | 37.1  | 37   | 34.3  |
| Total                  | 70   | 100.0 | 89   | 100.0 | 108  | 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.

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**

2015 was another year of challenges for the apparel and lifestyle product retailers due to the sluggish economy. The low prices of agricultural products, drought, and high level of household debt as well as diminishing export adversely impacted the consumer confidence, consumer spending, and purchasing power. The National Economic and Social Development Bureau revised the estimated Thailand's GDP in 2015 from previously 3.5-4.5% to 2.9% during the end of 2015.

With the unfavorable economic conditions affecting consumer spending, competition in the apparel retail business became competitive throughout the year. Both domestic and international brands had to adjust their strategies to attract customers and maintain the market share through the higher promotional marketing campaigns.

In terms of the outlook, Thailand is one of the potential market for the apparel and lifestyle product retail business since consumer lifestyles have moved towards modern and fashionable clothing. The expansion of the retail business as well as the fact that Thailand is one of the trade center, tourism center, and major shopping center of the region has drawn the Fast Fashion brands into the market to expand their businesses in Thailand. The issue to watch for the next phase of competition is the entry of the new comers, the marketing strategy to penetrate domestic consumers, and the expansion of branches or outlets for more coverage. The players in Fast Fashion apparel retail business in Thailand have to be prepared to cope with the increasing numbers of market players. The business success drivers will come from the strategic planning of clear target market, priority to create store ambient to gain customer attention, and the attractive promotions to encourage more consumers spending frequency.

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

With the full year transformation to ASEAN Economic Community in 2015, the member countries have a combined population of over than 600 million people, 10% of the world's population. The organization's combined nominal GDP had grown to more than US\$2.6 trillion. These allows market opportunity for retail apparel and lifestyle products of Thailand to grow more.

Under this free trade, member countries have to gradually open their service markets to each other. The commercial sector is expected to expand more. There will be more investment, higher employment, increasing number of tourists as well as more volume and value of border trades. As a result, the retail industry in AEC is likely to expand especially when consumer behavior is changing into a modern society. The number of working-age population is likely to grow with higher income to demand good quality and good brand image products. The apparel and lifestyle product retailers in Thailand that distribute the quality products with cost competitiveness will have the marketing advantage to grow their business.

# RISK FACTORS

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

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

### **1.1 Risk 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 sales network to reach customers.

To cope with the situation, MC Group has plans to expand in all channels including traditional owned free standing shops and other alternative channels such as its newly introduced online business [www.mcshop.com](http://www.mcshop.com) and mobile unit. The channel network expansion will extend the reach to customers through easier access to products as well as enhance brand awareness.

Furthermore, given its long experience in the business, MC Group has an edge in quality and cost controls thanks to owned production facilities and tight relationships

### **1.2 Risk 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. This risks lies in the fast changing nature of fashion business itself.

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 marketing, sales and design teams at the Company adds speeds to our product development to respond to customer needs with new desirable fashion products.

## **2. Business Risks**

### **2.1 Risk 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, as well as the search for low cost production base where good quality is maintained. 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 over-reliance 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 stable relationships. However, over-reliance on these big retailers has put the Company at risk given the low negotiation power. Thus, the Company formulated risk mitigation 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. At the end of 2015, number of owned free standing shops reached 288 locations.

### **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 to product distribution to points of sales. The team also set the standard time in product development and production so as to minimize the time to market.

**3. Risks related to Product Sourcing**

3.1 Risk from fluctuations in raw material prices

Cotton is the major component of jeans. Generally, market price of jeans has a rather low volatility. However, world market price of cotton can also fluctuate and go up unexpectedly due to production trends. This may affect the prices of jeans which is our major raw material for production.

Nevertheless, as one of the biggest user of jeans, MC Group can exert a better negotiation power on raw material pricing with suppliers. 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 factories and other assets

The fact that MC Group leases 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 has considered owning a factory as an option to expand the business the way that deliver maximum benefits to the group of companies.

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

4.1 Risk from free trade agreement of ASEAN Economic Community (AEC)

The union of ASEAN Economic Community (AEC) in 2015 has opened borders and allowed 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 positioned to have the advantages to compete with other foreign brands. Additionally, brand awareness building efforts as well as sales and distribution expansion to other ASEAN countries will further enable the Company to overcome these competitive threats facing the Company. Currently, the Company has already set a strong foothold with established distribution channels in a few ASEAN markets outside Thailand.

4.2 Risk from rental contract renewal

MC Group normally rents 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 this good record in the future.

4.3 Risk from changes in sales contract/agreement

For foreign watch retailing business, key distributorship is crucial 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 term contract where the counter party might not renew the contract.

Nevertheless, strong ties with its counterparts as well as good record of compliance resulted in trust and thus renewal of the contracts except cases that the Company decides against the extensions. 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 2015, the Company has shareholding structure as follows

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

## Shareholders

### Majority Shareholders

List of top ten majority shareholders as of 30 December 2015 is summarized below

| No  | Shareholder   | Number of Share | %     |
|-----|---|-----------------|-------|
| 1.  | Ms. Sunee Seripanu  | 359,475,300     | 44.93 |
| 2.  | MINDO ASIA INVESTMENT LIMITED   | 70,000,000      | 8.75  |
| 3.  | THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, FUND SERVICES DEPARTMENT | 44,144,900      | 5.52  |
| 4.  | RBC INVESTOR SERVICES TRUST   | 39,129,100      | 4.89  |
| 5.  | Mrs. Pratana Mongkoglul   | 23,971,000      | 3.00  |
| 6.  | THAI NVDR CO., LTD  | 16,593,500      | 2.07  |
| 7.  | Mr. Virach Seripanu   | 14,800,000      | 1.85  |
| 8.  | Bualuang Long-Term Equity Fund  | 10,719,400      | 1.34  |
| 9.  | HSBC (SINGAPORE) NOMINEES PTE LTD   | 8,251,000       | 1.03  |
| 10. | Aberdeen Small Cap Fund   | 8,250,900       | 1.03  |

The majority shareholders that can influence policy setting, management and directions of the Company are Ms. Sunee Seripanu and Mr. Virach Seripanu. This group of majority shareholders together owns 46.78% of the Company.

## Foreign Limit

The Company has set foreign limit of shareholding at 49% of paid-up capital. As of 30 December 2015, foreign shareholders of the Company held 22.68% of paid-up capital.

| Type of Shareholders | Number of Shares | %      |
|----------------------|------------------|--------|
| Thai shareholders    | 618,530,100      | 77.32  |
| Foreign shareholders | 181,469,900      | 22.68  |
| 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 and rules 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 perform their duties with honesty and prudence as well as act in good faith for the best interests of the Company and all stakeholders under business ethical conducts. In addition, the Board of Directors must ensure that effective and reliable accounting, financial reporting and audit systems are in place. Moreover, the Board of Directors shall monitor 5 subcommittees that handle certain issues i.e. Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, Sustainable Development Committee and Executive Committee. Roles and responsibilities of these subcommittees are written in Corporate Governance part (section 9.2)

As of 31 December 2015, 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 2015 |
|--|--|----------------------------------|
| 1.Ms. Sunee Seripanu                       | Chairman of the Board of Directors / Member of Executive Committee / Chief Executive Officer / Managing Director   | 7/7                              |
| 2.Mr. Virach Seripanu                      | Director/ Member of Executive Committee/ Member of Nomination and Remuneration Committee/ Member of Sustainable Development Committee / Senior Executive Vice President Production Workgroup | 7/7                              |
| 3.Mr. Somchai Apiwattanapron               | Independent Director / Chairman of Audit Committee, Chairman of the Risk Management Committee, Chairman of the Nomination and Remuneration Committee   | 7/7                              |
| 4.Mrs. Jamnan Siritan                      | Independent Director/ Member of Audit Committee/ Member of Risk Management Committee   | 7/7                              |
| 5.Mr. Supasask Chirasavin-uprapand         | Independent Director/ Member of Audit Committee/ Member of Risk Management Committee/ Member of Nomination and Remuneration Committee  | 7/7                              |
| 6.Mr. Surasak Khaoroptham                  | Director/ Chairman of Sustainable Development Committee  | 7/7                              |
| 7.Gen. Vichit Yathip                       | Independent Director   | 6/7                              |
| 8.Mrs.Chananyarak Phetcharat <sup>1/</sup> | Independent Director   | 1/1                              |

**Remark:** <sup>1/</sup>Mrs.Chananyarak Phetcharat was appointed as Independent Director on 11 November 2015 replace of Mrs. Pratana Mongkolkul who resigned of Director on 30 September 2015.

The name and number of director(s) who has the authority to sign on behalf of the Company is: Group Gor is Ms. Sunee Seripanu or Mr. Virach Seripanu, Group Kor is Mr. Surasak Khaoroptham, any two of Group Gor directors sign jointly with affixing the Company's seal or any one of Group Gor directors and any one of Group Kor directors sign jointly with affixing the Company's seal

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.

## 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.

The Company has appointed the Independent Director which consists of 5 members equal to 62.5% that has more than the good corporate governance policy request. According to the good corporate governance policies, the Board of Directors shall consist of independent directors at least one third of the number of the directors in the Board of Directors in order to provide a verify and balance of power for each other sufficiency. The Qualifications of Independent Directors that the company require was same as the rules and principles set by the Securities and Exchange Commission and the Stock Exchange as follows:

### **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.

10. The tenure of an independent director shall not exceed nine years from the date of their first appointment.

**Executives**

As of 31 December 2015 MC GROUP Plc consists of 6 executives as follow

| Name                      | Title/Position   |
|---------------------------|--|
| 1.Ms. Sunee Seripanu      | Chief Executive Officer / Managing Director                            |
| 2.Mr. Virach Seripanu     | Senior Executive Vice President Production Workgroup                   |
| 3.Ms. Sangkae Hanvanich   | Senior Executive Vice President Marketing Workgroup                    |
| 4.Mrs. Narumol Sinhaseni  | Senior Executive Vice President Finance and Business Support Workgroup |
| 5.Mr. Vichai Singsaksri   | Executive Vice President Standard and Business Compliance Workgroup    |
| 6.Ms. Vorarat Laothanakul | Executive Vice President Human Capital Management Workgroup            |

**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.

### **Corporate Secretary**

At the Board of Directors Meeting No.2/2015, the Board of Directors has appointed Ms. Anongnard Wannamas 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.

### **Roles and responsibilities of Corporate secretary**

1. Provide basic advices to the directors pertaining to applicable laws governing the Company, The Company's rules and regulations and ensure strict compliance as well as notify the Board of any significant changes in related laws and regulations.

2. Arrange shareholders meetings and the Board of Directors meetings in accordance with the laws, regulations and related practices.

3. Prepare minutes of the shareholders meetings and the Board of Directors meetings, and monitor that follow-up actions are undertaken in compliance with the resolutions of those meetings.

4. Prepare and keep record of registrations of directors, annual reports of the Company, notices calling shareholders meeting, notices calling directors meeting, minutes of the shareholders meetings and the Board of Directors meetings.

5. Keep reports of interest filed by directors and executives and submit the copies to the Chairman of the Board of Directors and the Chairperson of the Audit Committee within 7 working days from the date those reports are received.

6. Ensure that corporate information and reports are disclosed to regulatory agencies in accordance with the laws and regulations.

7. Supervise other activities of the Board of Directors and other related matters in accordance with the laws, the announcements of the Capital Market Supervisory Board or as assigned by the Board of Directors.

## 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 of directors to ensure that the Company's remuneration is comparable to that of other companies in the same or related industry. Furthermore, the Company also uses directors' remuneration survey conducted by the Stock Exchange of Thailand and Thai Institute of Directors (IOD) as a benchmark every year in considering proper remunerations for its directors.

In 2015, the Nomination and Remuneration Committee has reviewed directors' remuneration and adjusted the structure of the remuneration. Currently, monetary remuneration for directors comprises 3 types of remuneration which are monthly remuneration, meeting allowance and bonus while there is no non-monetary remuneration. The new structure of remuneration for directors was proposed to the Board of Directors for approval. The 2015 Annual General Meeting of Shareholders on 23rd April 2015 reached a resolution to approve the following remuneration for directors for the year 2015 as shown below

| Remuneration for the Board and Sub-Committee     | 2015  |                                      |
|--|---|--------------------------------------|
|  | Monthly Remuneration (Baht/person/month)  | Meeting Allowance (Baht/person/time) |
| 1. Board of Directors                            |   |                                      |
| • Chairman                                       | 20,000  | 80,000                               |
| • Member   | 10,000  | 50,000                               |
| • Bonus  | Maximum at Baht 5,000,000 per year (The Board will allocate bonus in accordance with the achievement of key performance indicators) |                                      |
| 2. Risk Management Committee and Audit Committee |   |                                      |
| • Chairman                                       | 15,000  | 30,000                               |
| • Member   | 10,000  | 20,000                               |
| 3. The Nomination and Remuneration Committee     |   |                                      |
| • All Committee                                  | 50,000 (Baht/person/time)   |                                      |
| 4. The Sustainable Development Committee         |   |                                      |
| • All Committee                                  | 50,000 (Baht/person/time)   |                                      |

For the year 2015, monetary remuneration as actually paid for the Board of Directors totaled 6.39 Million baht. Details of meeting attendance and remuneration for directors are as follow.

| Name  | Title/Position   | 2015 Meeting Attendance |                 |                           |                                       | Monthly Remuneration for Directors |                    |   |                                       | Subtotal Monthly Remuneration | Meeting Allowance  |   | Subtotal Meeting Allowance | Bonus     | Total     |
|---|--|-------------------------|-----------------|---------------------------|---------------------------------------|------------------------------------|--------------------|---|---------------------------------------|-------------------------------|--------------------|---|----------------------------|-----------|-----------|
|   |  | Board of Directors      | Audit Committee | Risk Management Committee | Nomination and Remuneration Committee | Sustainable Development Committee  | Board of Directors | Audit Committee and Risk Management Committee | Nomination and Remuneration Committee | Sustainable Development       | Board of Directors | Audit Committee and Risk Management Committee |                            |           |           |
| 1. Ms. Sunee Seripanu                       | Chairman of the Board of Directors / Member of Executive Committee   | 7/7                     | X               | X                         | X                                     | X                                  | 240,000            | X   | X                                     | X                             | 560,000            | X   | 560,000                    | 214,285   | 1,014,285 |
| 2. Mr. Virach Seripanu                      | Director/ Member of Executive Committee/ Member of Nomination and Remuneration Committee/  |                         |                 |                           |                                       |                                    |                    |   |                                       |                               |                    |   |                            |           |           |
|   | Member of Sustainable Development Committee  | 7/7                     | X               | X                         | 4/4                                   | 2/2                                | 120,000            | X   | 50,000                                | 50,000                        | 350,000            | X   | 350,000                    | 214,285   | 784,285   |
| 3. Mr. Somchai Apiwattanaporn               | Independent Director / Chairman of Audit Committee, Chairman of the Risk Management Committee, Chairman of the Nomination and Remuneration Committee | 7/7                     | 5/5             | 5/5                       | 4/4                                   | X                                  | 120,000            | X   | 180,000                               | X                             | 350,000            | 150,000                                       | 500,000                    | 214,285   | 1,064,285 |
|   | Independent Director/ Member of Audit Committee/ Member of Risk Management Committee   | 7/7                     | 5/5             | 5/5                       | X                                     | X                                  | 120,000            | 180,000                                       | 120,000                               | X                             | 350,000            | 100,000                                       | 450,000                    | 214,285   | 904,285   |
| 5. Mr. Supasak Chirasavinuprapand           | Independent Director/ Member of Audit Committee/ Member of Risk Management Committee   | 7/7                     | 5/5             | 5/5                       | 4/4                                   | X                                  | 120,000            | 120,000                                       | 120,000                               | 50,000                        | 350,000            | 100,000                                       | 450,000                    | 214,285   | 954,285   |
|   | Director/ Chairman of Sustainable Development Committee  | 7/7                     | X               | X                         | X                                     | 2/2                                | 120,000            | 120,000                                       | X                                     | 50,000                        | 350,000            | X   | 350,000                    | 214,285   | 734,285   |
| 7. Gen. Vichit Yathip                       | Independent Director   | 6/7                     | X               | X                         | X                                     | X                                  | 120,000            | X   | X                                     | X                             | 300,000            | X   | 300,000                    | X         | 420,000   |
| 8. Mrs. Chananyarak Phetcharat <sup>1</sup> | Independent Director   | 1/1                     | X               | X                         | X                                     | X                                  | 10,000             | X   | X                                     | X                             | 50,000             | X   | 50,000                     | X         | 60,000    |
| 9. Mrs. Pratana Mongkolkul <sup>2</sup>     | Ex-Director  | 3/5                     | X               | X                         | X                                     | X                                  | 90,000             | X   | X                                     | X                             | 150,000            | X   | 150,000                    | 214,285   | 454,285   |
|   | Total  | X                       | X               | X                         | X                                     | X                                  | 1,060,000          | 420,000                                       | 420,000                               | 100,000                       | 2,810,000          | 350,000                                       | 3,160,000                  | 1,499,995 | 6,389,995 |

**Remark:** 1 Mrs.Chananyarak Phetcharat was appointed as independent Director on 11 November 2015  
2 Mrs.Pratana Mongkolkul has resigned from Director on 30 September 2015

### Remuneration for Executives

The Company considers remuneration of its executives based on fairness, assigned responsibilities and the Company’s performance and benchmarks with remunerations of other companies in the same or related industry.

Besides, individual performance of each executive based on set performance targets will be taken into account where it must align with vision, mission, and Company’s strategies in order to incentivise executives to create stability and growth for the organization in the long run. The Nomination and Remuneration Committee and the Board of Directors evaluate performance of the CEO and other high-level executives on an annual basis. The assessment results will be used in the consideration of remuneration in the format of salary and bonus.

In 2015, the Company paid a total of 41.61 million baht for in remuneration to its executives as detailed below.

| Remuneration for Executives  | Total Remuneration ( Thousand Baht) |        |
|--|-------------------------------------|--------|
|  | 2014                                | 2015   |
| Number of Executives   | 7                                   | 6      |
| Financial Remuneration   |                                     |        |
| - Salary, bonus and other remunerations                                    | 43,014                              | 40,797 |
| - Contributions to provident fund and contribution to social security fund | 1,081                               | 817    |
| Non-Financial Remuneration   | None                                | None   |

### Employees

#### Number of Employees

As of 31 December 2013, 2014 and 2015, the Company and its subsidiaries had a total of 3,124, 3,313 and 3,401 employees respectively. This can be shown by departments as follow

In 2015, the Company added more employees to support its increasing workloads from its expansion plan.

| Division                     | Number of Employees |       |  |       |
|------------------------------|---------------------|-------|--|-------|
|                              | 2013                | 2014  | 2015   |       |
| Executives                   | 7                   | 7     | Executives                                       | 6     |
| Production                   | 1,588               | 1,437 | Production Workgroup                             | 1,715 |
| Warehouse and distribution   | 147                 | 176   |  |       |
| Sales Support                | 976                 | 1,196 | Marketing Workgroup                              | 1,257 |
| Brands and Marketing         | 39                  | 107   |  |       |
| Finance and Accounting       | 56                  | 57    | Marketing Finance and Business Support Workgroup | 77    |
| Information Technology       | 3                   | 9     |  |       |
| Human Resources              | 7                   | 8     | Human Capital Management Workgroup               | 18    |
| Strategic Planning           | 9                   | 4     | Standard and Business Compliance Work-group      | 5     |
| Other business <sup>1/</sup> | 246                 | 264   | Other business <sup>2/</sup>                     | 280   |
| Others                       | 46                  | 48    | Others   | 43    |
| Total                        | 3,124               | 3,313 |  | 3,401 |

Remark: <sup>1</sup>Other business in 2013 and 2014 was Time Deco Corporation Co.,Ltd.  
<sup>2</sup> Other business in 2015 was Time Deco Corporation Co.,Ltd. and TOP T 2015 Co.,Ltd.



## **Total Compensation and Benefits of Employees**

The Company has put in place policies and management of compensation and benefits that are better than required by laws and emphasised appropriateness and consistency with the Company's performance, individual performance of each employee as well as those of other companies in the same or related industry. The compensation and benefits must be competitive, fair and flexible for efficiently managed.

### **1. Short-term Compensation and Benefits of Employees**

The Company offers various kind of compensation and benefits to its employees including salary, wage, bonus, contributions to social security fund. Moreover, other welfares are provided to all employees such as provident fund, group health insurance, annual health check-up, 5S activity, working environment safety and study scholarships for employees' children.

### **2. Compensation and Benefits of Employees After Resignation**

#### **Provident Fund**

The Company has set up its provident fund in accordance with the Provident Fund Act BE 2530 (including revisions). The Company and participating employees contribute 3% of base salary to the provident fund. In 2015, the Company's contributions to the provident fund amounted to 5 million baht.

#### **Severance Pay**

The Company is obligated to offer a severance package to its employees according to labor law in case of a discharge. This severance pay is considered as their benefits after the termination of employment.

For the year 2013, 2014 and 2015, the Company and its subsidiaries paid a total compensation of 697.1, 844.5 and 871.7 million baht respectively to its employees including salaries, bonuses, over- time pays and other compensation and benefits.

### **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 BE 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. The Company is still waiting for results of the settlement with the Union according to Labour Relations Act BE 2518

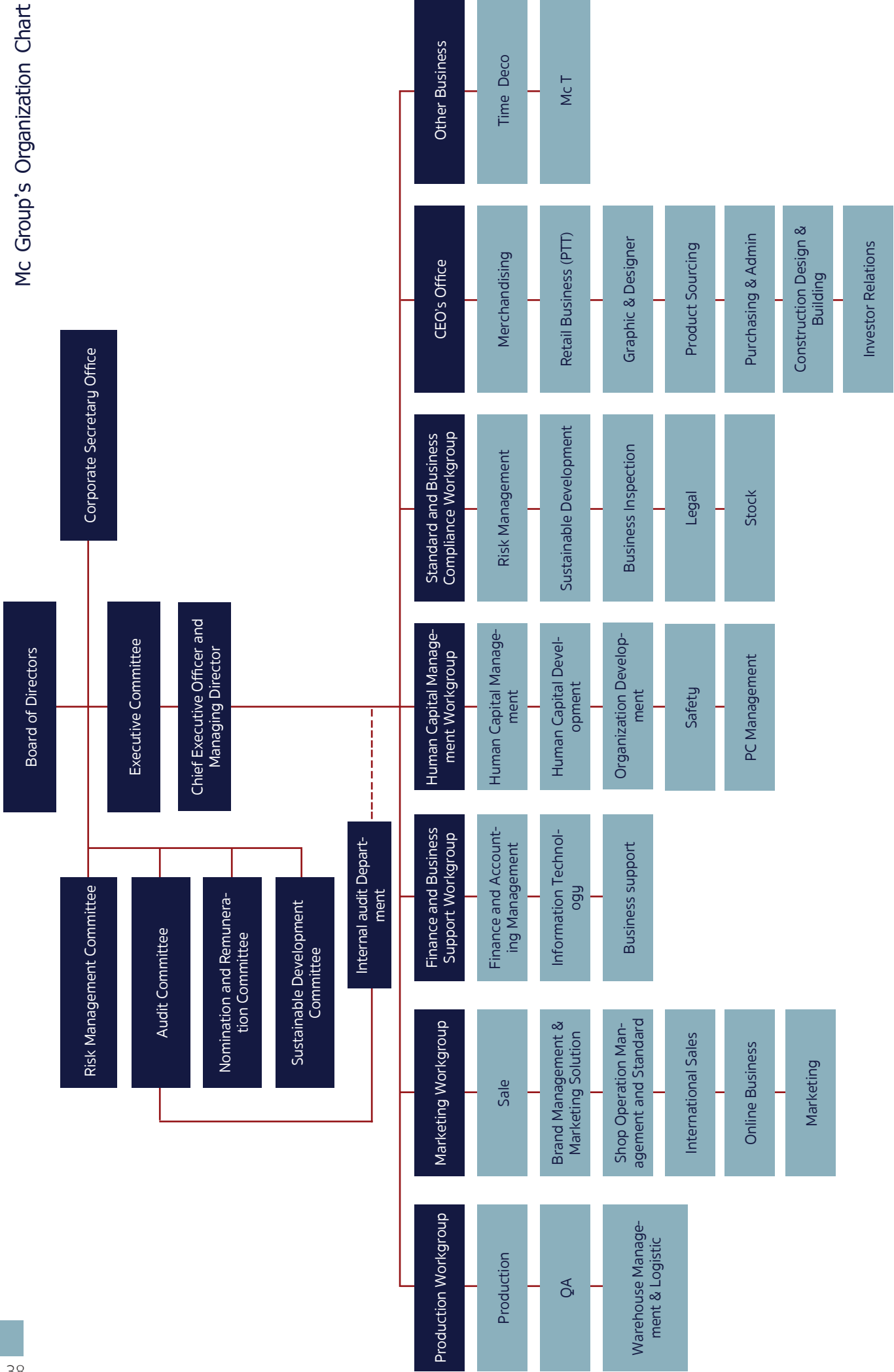
### **Human Resource Development**

Mc Group regards human resource development as a key success factor of the organization. Happy employees with self-esteem are the type that are ready to create and offer something good for customers, business partners and communities. The critical challenge in human resource management is to develop and equip the employees with right skills, abilities and good conscience as well as to engage them to bond with and love the organization. Core values of the Company or the so-called "Mc Way" is promoted among employees to fortify its strong organization culture.

Key principles in human resource development are directly synchronised with business plan. Development of skills, knowledge and competencies of all levels of employees together with proper performance evaluations will enable an effective human resource development plan that positively affects how employees work and deliver as targeted. This also assists employees in growing and advancing professionally along their proper career paths together with the Company.

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

From its directions and projects related to human resource development the Company and its subsidiaries are pursuing incessantly, it is clear that Mc Group has devoted its effort towards developing and growing its human capital alongside with the organization and allows them to lead the Company to a sustainable business excellence.



# CORPORATE GOVERNANCE

The Board of Directors and executives realised the importance of the Company's compliance with corporate governance principles and are determined to continuously improve corporate governance to be the bedrock in conducting business and to be accepted internationally. Mc Group also fosters transparency, business ethics, social responsibility as well as accountability to all Company's stakeholders.

The Board of Directors has stipulated good corporate governance policies and business ethics in writing as a guideline for conducting its business for directors, executives and employees. This is to ensure efficient management systems, add values and support sustainable growth of the Company in the future. The Board of Directors shall review and adjust the corporate governance policies and business ethics on an annual basis to be consistent with changes in business operations, environment, situations or related laws.

The Company published its corporate governance policies in its website as a guideline for employees of all levels to conform to and as important information for shareholders, stakeholders, investors and other people who might be interested. To encourage the compliance, the Company requires all employees to sign and acknowledge this code of conduct during new employee orientation. Furthermore, internal control processes are put in place to monitor compliance to this code of conduct.

Results from the Corporate Governance Report of Thai Listed Company 2015 showed that the Company's average score for all 5 sections of corporate governance was at 84 which was at par with the average SET 100 Index (at 84).

## **Corporate Governance Policy**

The Company follows the guideline of Code of Best Practices for Directors of Listed Company set by the Stock Exchange of Thailand as well as the Principles of Good Corporate Governance For Listed Companies (2012) in establishing and developing good corporate governance policies. The policies are divided into 5 sections. In 2015, the Company strictly complied with the corporate governance policies as detailed below.

### **Section 1: Rights of Shareholders**

The Company recognizes the importance of the rights of shareholders and shall not act in a manner that violates or diminishes any right of shareholders but only encourage shareholders to exercise their rights.

In 2015, the Company has taken the following actions to support and facilitate its shareholders to exercise their rights.

- The structure between the Company, its subsidiaries and associated companies is simple. There is no mutual or overlapping sets of shareholders nor pyramid holding structure. This is to confirm its shareholders of their returns.

- The Company acts in its capacity to best accommodate the exercises of basic rights of all shareholders including majority shareholders, minority shareholders, institutional investors and foreign shareholders equally and refrain from any action that limits their chances to attend the meetings of all types of investors. Those rights include rights to purchase, dispose or transfer shares, right to clear and correct information, right to attend the meetings and cast the vote to approve important agenda items, right to appoint or remove Company's directors, right to determine remunerations of the Board of Directors, right to appoint and remove the auditors and determine audit fees, right to share profits, right to participate in decision-making or acknowledge the Company's decisions related to changes in Company's fundamentals.

- The Company send out notice of shareholders' meeting and other supporting documents 7 days before the scheduled meeting (or any duration specified by law). The notice details meeting agenda items and pertinent documents including comments of the Board of Directors, the proxy form (per Ministry of Commerce's designation) and names of independent directors that shareholders can delegate their representation to for the shareholders' meeting. The notice also includes map and direction to the meeting's venue and provides list of documents that shareholders are required to present on the meeting day in order to exercise their rights as shareholders in attending and voting at the shareholders' meeting according to shareholders' meeting rules of the Company. Furthermore, shareholders may access to information related to meeting agenda online through the Company's

website [www.mcgroupnet.com]

- The Company discloses information and details related to rights of shareholders in the Stock Exchange of Thailand's news system and its own website taking into considerations fairness in receiving news and information, exercising period and convenience. Actions that may limit access to Company's information or hinder communications between shareholders are prohibited.

- In the event that shareholders are not able to attend the shareholders' meeting, the Company allows shareholders to grant their rights to independent directors or any other persons whom the shareholders might wish to appoint as a proxy to cast the votes on their behalf.

- For each shareholders' meeting, the Chairman of the meeting or other assigned persons inform attendees of the rules to be observed in the meeting including voting process as well as allocate sufficient time for the meeting.

- During shareholders' meeting, the Chairman ensures equal rights to each shareholder in asking questions, voicing opinions or making recommendations. Directors and related executives will be present in the meeting in order to respond to any query or accept recommendations that shareholders may have and will consider actions to take forward as appropriate. After the meeting, the Company will prepare an accurate and comprehensive shareholders' meeting report within 14 days after the meeting day and submit the shareholders' meeting report to relevant agencies and make the report available to the public by releasing the report in the company's website so that shareholders and other stakeholders can have access to.

## **Section 2: Equitable Treatment of Shareholders**

The Company acts impartially to all shareholders including shareholders who are or are not executives, majority shareholders, minority shareholders, institutional investors, foreign shareholders. The following principles shall apply

- The Company issued policies and take actions in the disclosure of information in a correct, complete, timely and transparent manner to the shareholders. Disclosure of important information is conducted regularly through various channels so that all shareholders have an equal access to the information. Shareholders can make enquiries on information and other news to Investor Relations department or the Company's website, apart from the information disclosure to the Stock Exchange of Thailand

- The Company has in place relevant policies and practices to prevent its directors or executives from using information that is not disclosed to the public for their personal benefits (policies on the use of inside information are published in section 9.5)

### **2015 Annual General Meeting of Shareholders**

The Company values rights of shareholders and fair treatment to its shareholders and rigorously adopted related practices in conducting every shareholders' meeting from before the meeting, the meeting day to after the meeting. For the 2015 Annual General Meeting of Shareholders on 23rd April 2015 at 14:00 hrs at Suvarnnabhumi Grand Ballroom, Novotel Suvarnnabhumi Airport Hotel 999 Moo 1, Nongprue, Bangplee, Samutprakan, various kinds of mass transportation were available for shareholders to use in attending the meeting.

At the 2015 Annual General Meeting of Shareholders, 574 shareholders including their proxies attended the meeting. This is equivalent to 75.12% of outstanding shares. All 8 directors participated in the meeting or there was 100% attendance of the directors. The Chairman of the Board of Directors, the Chairman of the Audit Committee, the Chairman of the Risk Management Committee, the Chairman of the Sustainable Development Committee, the Chief Executive Officer and Managing Director, high-level executives, corporate secretary and the auditor all together participated in the meeting. Details of the meeting execution are outlined below.

### **Before the Shareholders' Meeting**

- The Company prepared the notice to shareholders' meeting in both Thai and English. For the 2015 Annual General Meeting of the Shareholders, the Company posted the meeting notice on its website since 23rd March 2015, 30 days prior to the meeting date and sent out the meeting notice to the shareholders 21 days before the meeting date so that the shareholders received all documents in advance and had sufficient time to re-view the information before the meeting.

- Notice to the meeting contains adequate and complete information including facts, reasons, comments from the Board of Directors for shareholders' deliberations. The agenda of the meeting is as follow.

- 1) For agenda related to director's appointment, first name, last name, age, educational background,



working experience of each nominated director, number of companies they hold their directorship (listed companies or non-listed companies), nomination criteria and approach, types of nominated directors, attendance information in previous years, date of appointment to directorship were all presented.

2) For agenda related to remuneration, provided information included policies, amounts, types of remuneration by position and duty of directors, criteria and approach. Shareholders are required to consider and approve remuneration of the Board of Directors and all subcommittees.

3) For agenda related to auditor's appointment, details on names, audit offices, independence of the auditors, appropriateness of audit fees (these fees were shown separately from other service fees) were given.

4) For agenda related to dividend payment, the Company provided information related to dividend payment policies as well as pro-posed dividend amount compared to previous years.

- No document containing important information was distributed to shareholders impromptu and no addition on agenda or change in important information made without notification to shareholders.

- The Company accommodated shareholders who could not attend the meeting in person by sending all types of proxy forms as designated by the Ministry of Commerce while shareholders could decide how to cast their votes. Details on how to appoint a proxy were attached with the notice of the meeting as well as posted on the Company's website. Shareholders can also download all proxy forms from the Company's website. Moreover, list of names and biographies of directors whom shareholders can grant their representations to were also published.

### **During the Shareholders' Meeting**

- The Company specified the registration period of 2 hours before the meeting. Computers and barcode system were adopted in registration and vote counting for accuracy, speed and credibility. Institutional shareholders can send proxy forms to register in advance before the meeting to avoid any delay due to a slow registration process.

- One share one vote rule was applied where voting rights depend on number of shares a shareholder holds.

- Before the meeting commenced, the Company informed the meeting of voting and vote counting approaches.

- The Company used ballots for shareholders to cast their votes. Ballots were prepared by agenda item to assist shareholders in voting as they find appropriate. For agenda related to director appointment, individual director was nominated and voted and all types of ballots were kept for this (approve, disapprove, or abstain)

- The announcement of voting results for all agenda items was conducted according to the order in the agenda.

- The meeting was conducted in order of the agenda as informed in the meeting notice with accuracy and transparency according to the laws and Company's rules. The Company stipulated in its policy that additional agenda item shall not be included without advance notification to the shareholders especially important agenda items that shareholders need time to review before making decisions.

### **After the Shareholders' Meeting**

- The Company submitted resolutions of the meeting to the Stock Exchange of Thailand in the same day of the meeting through SET's news system so that non-attending shareholders could have a prompt access to the information.

- Minutes of the meeting were prepared and their copies were submitted to the Stock Exchange of Thailand within 14 days after the meeting date as well as posted in both Thai and English on the Company's website.

- In 2015, the Company received a score of 89 for quality of shareholders' meeting assessment under the Evaluation of Quality of AGM of Listed Companies carried out by Thai Investors Association together with the Securities and Exchange Commission, the Stock Exchange of Thailand and Thai Listed Companies Association. Criteria of the quality assessment included all stages in conducting the shareholders' meeting before, during and after the meeting date.

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

The Company recognizes the importance of all stakeholders and believes in sustainable mutual interests of all stakeholders. Therefore, the Company clearly stipulated policies and responsibilities to all stakeholders in its "A Code of Conduct to Stakeholders" with the following details

## **Shareholders**

The Company is determined to conduct its business in the way that delivers performance and efficiency and thus creates stable growth and highest satisfaction of shareholders. The Company stresses on long-term growth of Company's value with proper and consistent returns. The Company also respects rights of shareholders and ensures fair, transparent and credible information disclosure to all shareholders.

## **Employees**

Human resource is the most crucial element for success of the Company. Hence, the Company treats employees of all levels fairly and properly in accordance with international standards on human rights as stipulated by its policies. The Company executes its employment, appointment and transfer on a fair basis and fosters good corporate culture and working environment that promote teamwork, politeness and respects to human rights of its employees in order to optimize its 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.

The Company respects employees' privacy and will not share their personal information such as salary, medical record and family history to any irrelevant person unless required by law.

## **Customers**

The Company has put in place policies that foster value and growth creation alongside its customers under the belief that Company's success relies on its customers' trust. The Company shall treat its customers with respect and politeness and with a strong intention to search for most effective ways to meet customers' needs. The related policies and guidelines are specified in the Code of Conduct. This includes production and delivery of products that passed quality assurance and standards as promised with customers under fair prices, adequate and timely disclosure of accurate information, safe customer data storage and management, confidentiality of customer information (no misuse of customer information for personal benefits or the benefits of related others), adequacy of systems/processes that allows customers to file complaints on quality, quantity and safety of its products and services.

## **Business Partners and/or Creditors or Debtors**

The Company is obliged to treat its business partners, creditors and debtors with equality and fairness for the best interest of the Company. The Company shall avoid any conflict of interest and provide factual information and accurate reports. Moreover, the Company stands firm on its commitments to its creditors and honors its obligations of repayment of principals, interests as well as collaterals.

Any business dealing with business partners must not affect good reputation of the Company and must be in compliance with laws. Mutual interests and fairness must be emphasized in selection of business partners as the Company believes that business partners are a key factor that helps deliver values to the customers.

## **Competitors**

The Company encourages free markets and fair competition and stipulated policies and guidelines towards its competitors under applicable laws related to trade competition. The Company is strongly against wrongfully obtaining or using trade secrets of its competitors either it is illegal or unethical.

## **Society**

As a Thai Company Mc Group appreciates being a part of the country and Thai society and feels responsible for the country and the society. Therefore, the Company aims to give back by supporting local activities in communities in which it operates in.

Throughout years in business, the Company rigorously abides by related laws, rules and regulations and put efforts in raising its standards above the levels required by law. Any business undertaking must not harm quality of life, community, society and environment. The Company helps support the society in form of quality of life improvement, educational support, energy saving and environmental conservation. Apart from that, the Company promotes communication and education related to the environment to all stakeholders as well as passes on its knowledge and experience that the Company has to benefit the society such as its recent Mc Sewing Training for Occupation Development Project.

The Company also acts against infringement of intellectual property rights and copyrights and issued policies regarding the use of its IT systems that requires regular investigations on software usage of employees to prevent any infringement. Furthermore, the Company ensures that registrations of its trademarks are undertaken correctly to protect its intellectual property rights from any infringement from others.

Additionally, the Company stipulated policies that support manufacturing and delivery of environmentally-responsible products and services and acts according to relevant environmental law. Besides, the Company encourages preservation of nature and conservation of energy and the use of environmentally-friendly products in its business. Details on its related executions can be found under Sustainable Development section.

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 the Audit Committee. Details of complaints or whistle-blowing including and information of the complainants/whistleblowers will be protected and kept confidential. The Audit Committee will take actions in finding facts and solutions (if any) and reporting to the Board of Directors for recommendations, solutions or other further actions. Channels in reporting misconducts and filing complaints are listed below:

- E-mail: [auditcommittee@mcgroupnet.com](mailto:auditcommittee@mcgroupnet.com)
- Postal mail: Chairman of Audit Committee or Internal Audit Manager

Mc Group Plc

448,450 On Nut Road, Prawet, Prawet, Bangkok 10250

Tel 02-329-1051-6 Fax 02-727-7287

For 2015, there was no record of complaints or leads on misconducts.

#### **Section 4: Information Disclosure and Transparency**

The Company encourages the disclosure of accurate information in a complete, transparent and timely manner that meets the standards provided by the Stock Exchange of Thailand or the Securities and Exchange Commission. This includes financial reporting and other information disclosure that can influence the Company's stock price or decisions of investors and other stakeholders. All relevant individuals are treated fairly regarding information dissemination and the Company will release important information through channels provided by the Stock Exchange of Thailand as well as the Company's website at [www.mcgroupnet.com](http://www.mcgroupnet.com)

The Board of Directors recognizes its responsibilities in preparing consolidated financial statements including other information presented in the annual reports. The Board of Directors shall make sure that quality of financial reporting is in line with the Generally Accepted Accounting Principles and reviewed by credible and independent auditors. Accounting policies must be properly selected and strictly applied. All financial reports must be accurate and complete and the disclosure of important information must be adequate and credible.

Furthermore, the Board of Directors has appointed the Audit Committee to review and audit financial reports for accuracy, completeness, credibility as well as ensure all information disclosures of correct-ness, clarity, transparency and timeliness as specified by the guidelines for the listed company. In addition, the Audit Committee also perform auditing roles for internal control systems to guarantee effective internal control and compliance with laws and Company's regulations. Related party transactions or transactions with potential conflict of interest must also be reviewed by the Audit Committee for their appropriateness and reasonableness before presenting to the Board of Directors for consideration and approval.

In 2015, The Company issued Management Discussion and Analysis (MD&A) supplementing its quarterly financial statements to help investors better understand changes in the company's financial position and performance in each quarter, rather than just only numbers in the financial statements.

Moreover, the Company prepares the Board of Directors' accountability to financial statements alongside the auditor's report as well as disclosure of audit and non-audit fees in the Company's annual report.

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 be transparent and fair as well as concern proper silence period in compliance with good corporate governance principles and guidelines.

For this year, investor relations' activities include:

1. 79 company visits from investors or analysts or through conference
2. 10 investor conferences both locally and in foreign countries.
  - Investor Conference and road show in Thailand 6 times
  - Investor Conference and road show in Foreign Countries 4 times

3. Opportunity Day (Listed companies meet investors) as hosted quarterly by the Stock Exchange of Thailand.

4. 1 site 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. Suthipa Vacharotayangul (Vice President Investor Relations Department)

Address : Mc Group Plc, 448,450 On Nut Road, Prawet, Prawet, Bangkok 10250

Telephone : 02 117-9999 Extension 1210

Fax : 02 117-9998

E-mail: [ir@mcgroupnet.com](mailto:ir@mcgroupnet.com)

**Section 5: Responsibility of Board of Directors**

**1. Structure of the Board**

The Board of Directors comprises individuals with knowledge, expertise and experience in conducting business and is responsible for considerations on matters relating to management of the Company such as policies, vision, strategies, targets, duties, business plans and budgets. The Board of Directors also supervises the management team to effectively and efficiently conduct the business according to its policies under the scope of laws, objectives, rules, resolutions of shareholders meetings, resolutions of the meetings of the Board of Directors with honesty, prudence and ethics in order to maximize the Company's value and achieve highest stability for the best interest of the shareholders.

The Board of Directors consisted of 8 directors and 5 of those were independent directors, equivalent to more than one third of the members of the Board of Directors. These independent directors were qualified according to the announcements of Capital Market Supervisory Board and the Stock Exchange of Thailand to perform their duties efficiently and effectively at their full capacity to serve the Company.

The Board of Directors shall have specified term of service 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.

In order to ensure thorough and adequate governance according to good corporate governance principles and to support the Board of Directors in performing their duties, the Company established subcommittees to undertake specific matters. The Company also appointed the corporate secretary with stipulated roles and responsibilities as required by the Stock Exchange Act BE 2551. The corporate secretary ensures that the Company and the Board of Directors strictly comply with related laws and regulations and acts as a contact person for internal and external parties. The details of roles and responsibilities of the corporate secretary are included in Management Structure section.

In addition, Company's policies stipulated that directors shall not hold their directorships in more than 5 listed companies. In an event that a director also holds the same position in 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 roles for the Company. At present, none of the Company's directors hold director positions in more than 5 listed companies.

**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' meetings and the meetings of Board of Directors. Additionally, the Board of Directors must exercise a good judgment in business decision-making and perform their duties with accountability, prudence and honesty for the best interests of the Company.

**Corporate Governance Policies**

The Company has written policies on its corporate governance in which the Board of Directors reviews and monitors annually. 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 publish corporate governance report in its annual report and disclosure report concerning additional information (Form 56-1).

**Business Ethics**

The Company shall uphold the highest standard of ethics such as protecting of Company's private information, performing assigned duties with honesty and compliance to laws, respecting rights of others, and protecting the assets of the Company and the environment. The Company must ensure strict compliance to business ethics while policy review and evaluation must be conducted annually.



### **Conflict of Interests**

The Board of Directors has set policies to prevent and mitigate any conflict of interest that require all directors and executives prepare reports of conflict of interest and submit to the corporate secretary. In any deliberation, decisions regarding business undertaking must be made for the best interest of the Company and conflict of interest shall be avoided. Related parties or persons who have potential conflict of interest with the transaction under considerations must report the Company of nature of relationship and details on possible conflict of interest and shall not participate in the decision-making nor have authorities in approving that particular transaction.

Any transactions with potential conflict of interests related to trade conditions not conforming to general practices must be presented to the Board of Directors for considerations and approvals. The Audit Committee shall review appropriateness carefully before bringing the matter to be discussed at the Board meeting and/or shareholders' 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 comprehensive internal control systems covering all business aspects to ensure compliance to laws, rules and regulations as well as alignment with its goals. Moreover, an audit mechanism for checks and balances was set up to protect capitals of shareholders and assets of the Company. The Board has also set approving authorities and outlined 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 systems. Internal control department audits and reviews internal control systems of the Company as well as reports audit results to the Audit Committee.

Report of the Board of Directors

The Audit Committee shall review financial reports and present them to the Board of Directors every quarter. The Board of Directors is accountable for the financial statements of the Company as appeared in its annual reports and must ensure the preparation of the financial report is in compliance with the Generally Accepted Accounting Principles (GAAP-Thai) and reviewed by the qualified auditors. The Board of Directors shall also choose appropriate accounting policies and consistently applies them. Adequate disclosure of information in the footnotes to the financial statements must be carried out.

### **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 meetings 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 prompt actions are required to reserve Company's rights or protect its interests. Each meeting requires a clear agenda with complete supporting documents that must be submitted to the Board of Directors in advance. During the meeting, each director shall be allocated sufficient time for discussion and allowed to freely express their opinions. Related high-level executives shall be invited to attend the meeting to provide pertinent information and to directly address the issues.

The Company shall ensure that the Board of Directors receive adequate information in a timely manner prior to the scheduled meeting. Additionally, the Board of Directors may independently contact the corporate secretary to provide consultation on matters related to compliance or for any additional information.

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

The Company arranges self-evaluations for its directors at least once a year to assess their performance, efficiency and other issues in performing their duties in accordance with good corporate governance policies.

Furthermore, the Company promotes and facilitates trainings and other informative sessions on good corporate governance for applicable persons such as directors, the Audit Committee and executives to equip them with adequate knowledge and understandings regarding corporate governance principles, 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 2015, there were 3 directors or executives attending seminars hosted by Thai Institute of Directors (IOD) as below.

- Mr. Surasak Khaoroptham and Ms. Sangkae Hanvanich participated in Director Certification Program (DCP)

- Mr. Vichai Singsaksri participated in Director Accreditation Program (DAP)

At present, with regard to directors' enrolment in related seminars/programs, 5 directors of the Company completed Director Accreditation Program (DAP) and 7 directors of the Company completed Director Certification Program (DCP), out of a total of 8 directors. 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 directors including provisions of an overview of the business, business model and approach 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. 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, 2015, there are 3 independent directors as follows:

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

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. Anongnard Wannamas.

**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.

**2. Risk Management Committee**

As of 31 December 2015, 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. Supasask Chirasavinuprapand | Risk Management Committee Member             |

Ms. Anongnard Wannamas 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.

**3. Nomination and Remuneration Committee**

As of 31 December 2015, 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 Chirasavinuprapand | Nomination and Remuneration Committee Member             |
| 3. Mr. Virach Seripanu            | Nomination and Remuneration Committee Member             |

Ms. Anongnard Wannamas 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. 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.

**4. Sustainable Development Committee**

As of 31 December 2015, 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 |
| . Mr. Virach Seripanu      | Sustainable Development Committee Member             |

Ms. Anongnard Wannamas 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. Approve of Sustainable Development report in order to disclose to the public.

5. Appoint working team for sustainable development purpose as appropriate

**Term of Office**

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.

**5. 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 2015, the Executive Committee comprises of 2 members, namely:

| Name                   | ตำแหน่ง                    |
|------------------------|----------------------------|
| 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.

**Nomination of Directors and Highest-Ranked Executive**

**1. 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)

**• Independent Directors**

For the selection and nomination of the Independent Directors 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.

10. The tenure of an independent director shall not exceed nine years from the date of their first appointment.

## **2. 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 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.

**Information on Changes in Securities Holding of Directors and Management of the Company in 2015 <sup>1/</sup>**

| Director/Management              | Previously held | Acquisition | Disposal | Number of Shares as of 31 December 2015 |
|----------------------------------|-----------------|-------------|----------|---|
| 1. Ms. Sunee Seripanu            | 356,711,500     | 2,763,800   | 0        | 359,475,300                             |
| 2 Mr. Virach Seripanu            | 14,800,000      | 0           | 0        | 14,800,000                              |
| 3. Mr. Somchai Apiwattanapron    | 0               | 0           | 0        | 0                                       |
| 4. Mrs. Jamnan Siritan           | 0               | 0           | 0        | 0                                       |
| 5. Mr.Supasask Chirasaviuprapand | 0               | 0           | 0        | 0                                       |
| 6. Mr. Surasak Khaoroptham       | 0               | 0           | 0        | 0                                       |
| 7. Gen Vichit Yathip             | 0               | 0           | 0        | 0                                       |
| 8. Mrs.Chananyarak Phetcharat    | 0               | 0           | 0        | 0                                       |
| 9. Ms. Sangkae Hanvanich         | 533,400         | 0           | 0        | 533,400                                 |
| 10. Mrs. Narumol Sinhaseni       | 0               | 0           | 0        | 0                                       |
| 11. Mr. Vichai Singsaksri        | 0               | 0           | 0        | 0                                       |
| 12. Ms. Vorarat Laohathanakul    | 0               | 0           | 0        | 0                                       |

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

**Compensation to Auditors**

The annual General Shareholder Meeting of 2015 appointed E Y Office Company Limited with Ms. Rungnapa Lertsuwankul Reg. No 3516, and/or Ms. Pimjai Manitkajohnkit Reg. No 4521, and/or Ms. Rosaporn Decharkom Reg. No 5659, and/or Ms. Sumana Punpongsanon Reg. No 5872, as auditor of the Company for 2015.

Audit fees that the Company paid E Y Office Company Limited This can be divided into 1,100,000 baht audit fee for the Company, 1,640,000 baht for subsidiaries and 150,000 bath for Joint Venture Company.

Apart from the stated fees, one of subsidiaries also paid non-audit fees to E Y Office Company Limited.for the audit of compliance to promotion certificate conditions for the year ending 31 December 2015 with the amount of 150,000 baht.

**Other Good Corporate Governance Practices**

For the past year, the Company has committed to strictly comply with good corporate govern-ance 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 growing its business steadily and sustainably, MC GROUP has set directions and formulated policies that focus on good corporate governance, corporate responsibility towards society and environment as well as fair treatments to all stakeholders. MC GROUP is also obliged to manage its businesses in compliance with laws and regulations.

## **Sustainable Development Initiatives**

MC GROUP realised the importance of disclosure of information and rigorously comply with sustainable development guidelines and practices. The disclose of information will be beneficial to all stakeholders as they are fully informed of MC GROUP's activities regarding social responsibility and sustainable development.

For the past year, the Company still put an emphasis on the importance of all stakeholders' roles from shareholders, employees, customers, partners, competitors, creditors to society and environment and acted upon the policies and the procedures of sustainable development as follow:

### **1) Fair business conduct**

The Company has policies to conduct its business with ethics, transparency and fair competition under international standards of competition and other relevant laws relating to trade competition regulations. These standards aim to prevent market monopoly, unfair market manipulation, bribery, market mechanism distortion and illegal access to competitors' information. 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 credibility with a focus on building the business to attain sustainable stability in order to maximise its share values and be able to distribute dividends 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, code of conduct and promises given to customers with the concern of mutual benefits. The Company has a policy to deliver quality products within acceptable timeframes. Additionally, the Company is against any infringement of intellectual property rights and has put in place regular inspections for copyrighted products such as computer software or trademarks of others.

### **2) Anti-Corruption**

The Company places great importance on the prevention of all kinds of corruption and aims to build organisation cultures based on honesty and righteousness. Right conscience and attitude are encouraged among its executives and employees in performing their duties under rules and regulations with honesty.

The Company has arranged a written guideline called "Anti-Corruption Policy" to prohibit executives or employees from activities or actions with potential conflict of interest either directly or indirectly. The employees must refrain from offering or accepting gifts or benefits from any party relating to business that leads to actions or inactions harmful to the Company. The Company signed a joint declaration with the "the Private Sector Collective Action Coalition against Corruption (CAC)" and issued publications promoting anti-corruption policies to affirm the Company's anti-corruption intention and to educate and inform its employees and business partners to conform to the policies.

Furthermore, risk management and audit processes are implemented organisation-wide while regular risk assessment and internal control system improvement are ensured to prevent and prohibit corruption and misconducts. The Company established an organizational structure based on good governance principles to provide effective supervision and checks and balances. Activities are organized to communicate the code of conduct as a standard practice. Besides, good conscience of the employees and a concrete personnel administration are stressed while all working processes must be reviewed to ensure that the Company has a stern risk management system to prevent corruption in the organization.

Moreover, the Board of Directors has reviewed and amended the Company's Code of Conduct in 2015 to be consistent with current business operations. Several topics were added in order to

cover more related matters. The new Code of Conducts was announced on 12 July 2015 where penal provisions for the violation of the Code of Conduct were supplemented. In addition, the Company included Business Ethics and Anti-Corruption in its new employees' orientation every month as well as published articles relating to good corporate governance and anti-corruption in MC Society, the Company's magazine issued every 2 months. This is to ensure the strict compliance to the stated policies of the employees.

**3) Respect for Human Rights**

The Company strictly conforms to laws and principles relating to human rights by setting a code of conduct to ensure that its employees work and treat one another equally and fairly with respect to 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 also respects individual privacy of their employees and personal information such as salary, medical history or family data are kept strictly confidential not to disclose to outside or unrelated parties with the exception of that information disclosure is required by law.

The Company has acted equally to all stakeholders and carefully monitored the business to ensure it is not involved in any violation of human rights. Moreover, there are channels for complaints for those who are treated unfairly as well as protection measures for whistleblowers. These channels are in harmony with corporate governance principles Section 3 on the corporate governance in Section 3 on Roles of stakeholders.

**4) Equitable Treatment of Employees**

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. The Company established an Environment, Health and Safety working unit as a central unit dedicated to monitor all units of the group of companies of any matter relating 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.

**Compensation and Benefits**

The Company treats employees fairly by providing fair and reasonable remunerations and benefits that match their knowledge, capability, responsibility and individual performances. Compensations and benefits are offered are greater than the requirements by law. Provident funds, annual health check-up, 5S activity, safe working environment and educational scholarships for employees' children are provided to employees. These compensations and benefits are offered based on the Company's performance and performance of individual employee and competitiveness with others in the same or related industry. Additionally, it pays variable bonuses to employees when profit targets are met.

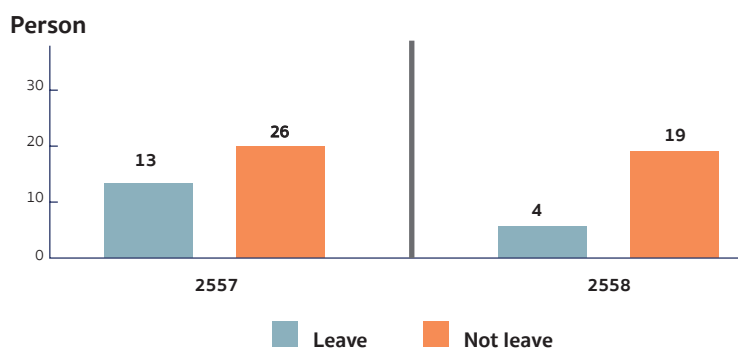
**Work Safety**

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 its staff 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, Occupational Safety, Health and Environment Committee, Safety Officer in Professional Level including Safety Officer in Management Level and Safety Officer in Supervising Level 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 takes safety in life and property of its employees seriously as evidenced from its safety alarms in the buildings, fireman team for each factory and purchase of fire gears, 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. Furthermore, safety trainings are regularly conducted such as chemical use safety course, environment, health and safety and working condition for employees course, and general knowledge on crimes.



## The accident record



### Quality of Life

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-up for all employees is also organized annually. The Company makes sure that employees work in good and safe working conditions without threats from sickness, injuries or any disease, causing them to work efficiently and live happily.

### Human Resource Development

The Company is determined to ensure that every employee is well developed by enhancing their skills and knowledge to achieve higher efficiency and effectiveness at work. The Company initiated MC Academy aiming to equip its employees with skills and knowledge necessary to perform their jobs to attain set objectives and goals. In addition, executives and employees are encouraged to adopt the organisation's Core Values called "Mc Way" to strengthen its organization culture as follow.

|   |              |   |
|---|--------------|---|
| M | Motivation   | Motivated to create best outputs for the customers  |
| C | Commitment   | Committed to promises made to the customers and partners under honest business conducts.  |
| W | Willingness  | Conduct business in all functions with strong will to deliver the best products and services  |
| A | Appreciation | Appreciate and respect others as well as their works and be kind to each other both in the same department and organization wide                        |
| Y | Yes-Minded   | Positively handle all kinds of issues and be ready to tackle the problems under any circumstance and believe that there is a solution for every problem |

To create and enhance standards for higher efficiency and effectiveness to achieve greater competitiveness in the present and the future, Mc Academy committed to human development that covers all groups and levels of employees aiming to improve their competency levels to match with other leading companies.

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

## 5) Responsibilities to Consumers

The Company considers responsibility to customers as its priority and aims to create values and grow with its customers. Gaining customers' trust is crucial to the Company's success. Thus, customers must be treated with sincerity and politeness as well as an intention to serve them more efficiently. The Company has the following policies for treating its customers:

1. Manufacture, design and deliver quality products that pass quality assurance and meet standards as promised to customers at reasonable prices.
2. Provides correct, sufficient, and timely information to its customers regarding the Company's products.
3. Strictly conform to conditions/agreements made to customers. In case that a condition cannot be fulfilled, customers must be notified promptly to seek mutual solutions.
4. Treat customers politely and be reliable for the customers.
5. Ensure safe customer information management system including sufficient confidentiality measures. Do not disclose customer information without their consent and do not use customer information to wrongfully seek personal benefits or the benefits of related others.
6. Warranty products under appropriate time condition and comply with Consumer Protection Act.
7. Establish systems/processes for customers to send complaints regarding quality, quantity and safety of products and services and ensure speed in complaint management in order to resolve the issues for the customers.
8. Initiate and promote activities relating to social responsibility for customers.
9. Promote environmentally-friendly product development, packaging and logistics.
10. Provide channels to disseminate information regarding products and product development for customers on a regular basis.

## 6) Environmental Conservation

The Company and its subsidiaries are committed to conserving the environment. Policies and measures are in place to solve any production problems that may harm the environment and assist environmental management. Continuous efforts were put 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, cutting energy consumption, managing wastes to recycling and reusing of used materials/residues. The social and environmental responsibilities are considered as an important mission in conducting business and included in its good corporate governance policies. Furthermore, the Company does not just only consider monetary interests of its new projects but also concerns safety and environment issues. EHS working unit participates since the inceptions of those projects to give advices and voice concerns relating to environmental preservation and safety.

Subsidiaries such as P.K. Garment (Import-Export) Co., Ltd and MC Jeans Manufacturing Co., Ltd also paid careful attention to conserving the environment through ongoing examinations of environmental risks incurred from production such as wastewater from dying and dust from color sprays. These are procedures and processes that the Company strictly follows and to control and manage environmental impacts of its business activities:

### 1. Environmental Management

#### 1.1 Protection and monitoring

##### 1.1.1 Air quality and working environment

The Company uses natural gas (LPG) to replace fuel oil in order to reduce the impact on the environment from air pollutants such as sulfur dioxide (SO<sub>x</sub>), nitrogen oxide (NO<sub>x</sub>) and carbon monoxide (CO<sub>x</sub>). There are measures on environmental quality monitoring before releasing outside of factories

as well as workplace environment monitoring such as air quality in the workplace (including total suspended particulate, 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 meet the standards as regulated by 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 required landfill or treatment.

#### 1.2.2 Chemical management

Chemical products from dying 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 authorized persons 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 its 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

In 2015, the Company initiated and operated the following environmental projects as follow.

#### Material Utilization Project

In current times of intense economic and trade competition, companies are pressured to come up with effective strategies to continuously improve and develop in order to survive while customer satisfaction in price, quality and delivery must still be maintained.

Regarding our factory operations, apart from constantly adopting new technology to increase production capacity or reduce production costs, we also reviewed current material utilization in order to promote higher efficiency in resource utilization to further reduce costs and boost profits for the Company. With a simple development concept, the following efforts were made at Mc Jeans Manufacturing in 2015.

1. Changed pattern-marking approach (cutting marker) to allow less gap between pieces of cloth from 2mm to 0.5mm. This resulted in 1.5% saving of fabrics used.

2. Improved fabrics-laying method by cutting edges for each layer rather than rolling their edges on another layer. This helped save 0.28% of the fabrics used.

3. Selected similar width and colour of fabric rolls to specify proper sizes of markers that fit with the width.

4. Adjusted patterns with acute angles to right angles to increase marking space.

5. Collected all fabrics screened out for their defects to be made into grade B bottoms rather than selling them as fabric remnants.

#### Environmental Projects

1. Improved waste management from production process of the factories for proper and environmentally-friendly treatment.

2. Improved efficiency of compressed air system used in production process. This led to a significant electricity savings.
3. Changed existing light bulbs to 20 watt LED bulbs in the Company's properties both the offices and the factories. This initiative is 50% complete (equivalent to 3,000 bulbs) and saved some electricity.
4. Added green spaces as appropriate by planting more trees in all properties of the Company.

### 7) Community and Social Development

The Company regards the responsibilities for community and society and as its key mission and intends to initiate projects and activities that help develop the communities and the society.

In the past year, the Company contributed to communities and the society through various projects as outlined below.

#### MC Sewing Training for Occupation Development

With its experience of 5 decades in the business and its potentials in continuous business development both in production technology and human resource management, the Company is dedicated to pass on its knowledge and experience in sewing to communities and the society. Therefore, Mc Sewing Training for Occupation Development was initiated to honour that endeavour. The main objectives of the project is to educate and train people who are interested to be able to earn their livings and take care of their families. Moreover, this can be considered an opportunity for participants in joining the Company in the future.



Mc Sewing Training for Occupation Development accepted applications from people in Prawet district and other interested people every Saturday from 09.00-16.00 hrs. during a period of 3 months. The training curriculum consisted of theoretical sessions covering basic knowledge on fabrics and sewing techniques, basic knowledge of sewing machine maintenance and other related knowledge as well as practical sessions that allowed participants to sew.

The first batch of this training was completed on 19 December 2015 with good collaboration from Community Development and Social Welfares of Prawet District, Bangkok and Baan Kwan Riam Sewing Group (National 5-Stars OTOP product) of Prawet District, Bangkok. The project was successfully undertaken according to its objectives. From the evaluation, participants commented that the knowledge and experience gained are practical and useful. Besides, Prawet District Office lauded the Company as a good example for other companies for its community and society services as a national and soon-to-be global company and mentioned that this initiative truly helped the government in community and society development.

#### MC SMART PROJECT

As a key player in apparel retailing and lifestyle product business with highest market share in jeans wear, the Company together with Department of International Trade Promotion (DITP) launched MC SMART Project to emphasize its commitments in responsibilities to society and environment, not just its quality and product offering. The Company also has a strong intention to develop promote and develop people's skills and competencies. MC SMART project was initiated under the aspiration to create practical arts, designs, or fashion items with values using jeans remnants and other waste materials from making Mc Jeans' bottoms.



The Company aimed to enhance creativity and design capability of Thais to be renowned worldwide and become one of the leaders in design. Under this project, the Company aspired to be an active agent in giving back to the society through environmental conservation concept and setting a good example and sharing caring attitude to younger generations. The project has the following objectives.

1. To emphasize the Company's positioning as an organization that supports youth education with a goal to promote and develop creativity in targeted groups of students and other youth who have passion in arts, design and fashion including fashion lifestyle and living lifestyle as well as commercialize their works both domestically and internationally.
2. To promote learning of students regarding creativity, design and fashion of targeted groups and to be another open space/channel for students to show their creativity and talents.
3. To reflect the Company's dedication to social responsibility according to its vision through promoting, supporting and developing creative potentials of Thais. This can be considered as another opportunity for job creation and income generation as well as a driver in strengthening and growing Thai Economy and sustainable well-being of Thai citizens.
4. To show its intention and commitment to environmental protection.

MC SMART project encourages the use of waste materials from McJeans production process to create a piece of work so that the participants can help reduce quantity of waste in the environment.

MC SMART Project is scheduled for its completion and the announcement of results in 2016.

**8) 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 reserved and protected and to encourage stakeholders to participate in creating wealth, stability, and sustainability of the Company in the long run.



# 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<sup>1</sup>
  - 3. Mr.Supasak Chirasavinuprapand, the Audit Committee member
- and Ms. Anongnard Wannamas, a secretary to the Audit Committee

In 2015, 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 2015 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 E Y Office Company Limited as the auditor of the Company and proposed for shareholders' approval the audit fees for the year 2015. 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 2015
- 10. Review of the performance evaluation in the year 2015 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 2015 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, E Y Office Company Limited, is independent, experienced and credible in auditing the financial statements of the Company and able to duly disclose important sufficient information.
4. The Audit Committee is of the opinion that, according to the connected transactions or the conflict of interest transactions, the Company discloses correct and sufficient information. The aforesaid transactions are fair and were approved by the management or the Board of Directors.

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



(Somchai Apiwattanapron)  
The Chairman of the Audit Committee

**Remark:** <sup>1/</sup>Mrs. Jamnan Siritan has resigned from Director, Independent Director, Member of Audit Committee and Member of Risk Management Committee on 31 December 2015 of which the Board of Directors approved to appoint Mr,Lucksananoi Punkrasamee as Director, Independent Director and Member of Audit Committee from 1 January 2016 onwards.

# INTERNAL CONTROL AND RISK MANAGEMENT

## Summary of opinions of the Audit Committee on internal control systems.

At the meeting of the Audit Committee No.1/2559 with the presence of its all 3 members, the Audit Committee has reviewed the adequacy and effectiveness of the internal control systems 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 positive 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 executive are in place.
2. Risk Management: The Company ensured the sufficiency and effectiveness of its risk management in all business units and processes. Risk identification, assessment, management and monitoring were performed on a quarterly basis. Risks were consistently reviewed according to current circumstances.
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 safeguarding are separated.
4. Information System and Communication: The Company recognized the importance of accuracy, credibility and timeliness of information. Hence, continuous development in information systems including financial and operational data systems as well as in compliance is necessary for better decision making.
5. Monitoring Activities: The Company ensured an adequate and consistent monitoring system at all levels of operations. Office Pitisevi Co., Ltd. was appointed as its auditor to work alongside internal audit department of the Company. The auditor reported audit results to the Audit Committee quarterly and submitted summarized reports to the Board of Directors for considerations and 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 systems 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, EY Office Ltd. as the Company's external auditor, audited and evaluated the effectiveness of the Company's internal control systems and found no significant issues or weak points relating to the Company's internal control systems.

## Head of Internal Audit

The Audit Committee appointed Office Pitisevi Co., Ltd. with Ms. Chaovana Viwatpanachati, Managing Director as internal auditor to work alongside the Company's internal audit department. The internal auditor has over 25 years of experience in accounting audit and internal audit. The Audit Committee has reviewed the qualifications of the head of internal audit and agreed that the person is suitable for undertaking the required duties efficiently.

Appointment, removal or transfer of the head of internal audit 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 2015, 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. Millennium (1975) (previously Mc Co., Ltd.)<br>Relationships: Ms. Sunee Seripanu as majority shareholders and directors      | McGroup Plc rented land and office building in Siphraya                                    | 1.85                            | 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<br><br>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. |
|   | McGroup Plc rented cars for its business operations .                                      | 0.72                            |   |
|   |  |                                 |   |
| 2. SS Challenge Co., Ltd.<br>Relationships: Ms. Sunee Seripanu as a shareholder   | Mc Group rented lands and Design Center building   | 4.9                             | 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   |
| 3. Boutique Property Management (previously PM Group)<br>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 | 2.88                            | 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  |
|---|---|---------------------------------|--|
| 4. Panapat Co., Ltd.<br>Relationships: Mr. Panu Narongchaikul as a shareholder and a director                                     | Time Deco Corporation Limited, a subsidiary rented an office building from Panapat Co., Ltd.                      | 3.1                             | 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.  |
| 5. Time Deco Services Co., Ltd.<br>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. | 1.94                            | 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.          | 2.0                             |  |
| 6. Mr. Panu Narongchaikul<br>Relationships: as a shareholder of Time Deco Corporation Limited, a subsidiary                       | Time Deco Corporation Limited, a subsidiary sold finished products to Mr. Panu Narongchaikul                      | 0.01                            | 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. Panu Narongchaikul                                   | 2.9                             | The car 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. Panu Narongchaikul                              | 0.1                             | The interest charges were based on market prices. The Audit Committee deemed that the transaction was fair and reasonable  |
|   |   |                                 |  |
| 7. Mr. Vararit Plengvanit<br>Relationships: as a shareholder of Time Deco Corporation Limited, a subsidiary                       | 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

## Overall Business Performance

2015 was another challenging year due to the slowdown of economy, low prices of agricultural products, drought situation as well as high level of household debt beset consumers that had affected their spending and purchasing powers. Thus, sales revenue of MC was negatively impacted and trailed behind its original target even though there are still positive growth. As a result, during the year MC adjusted its sales revenue growth target down to 10-15% annually and committed to the following growth strategies.

1) Continuously expansion of its sales network focusing on owned free-standing shops that give higher flexibility compared to other channels. In April, MC premiered its new channel in PTT gas stations under the brand “mc mc” to extend the reach to local communities and travelers. Furthermore, at the end of the year MC rebranded and refurbished the image of its internet/online channel from www.WoWme.co.th to www.mcshop.com. Total number of points of sales reached 866 locations at the end of December 2015 or 47 additional points of sales were added during the year.

### Domestic point of sales increased by 48 outlets to 843 points of sales

- The Company-owned free standing shop increased by 37 outlets to 288 outlets (including 10 outlets of mc mc shop in PTT gas stations)
- Modern trade retailers increased by 8 outlets to 550 outlets

### Mobile unit: total 5 units

### International point of sales increased by 2 new points of sales to 23 points of sales

2) Introduced new products, for example, luggage and backpack as lifestyle products under “Mc” the Company offered recently to cater to travelers and students. Besides, MC collaborated with a new business partner in manufacturing innovative top wears under “McT” brand. McT products are made from cotton using Soft Tech and Micro Brushed techniques that give the fabric special attributes of being soft, comfortable, quickly dry and wrinkle-free. This is considered a diversification of product offering to respond to consumers’ lifestyles that allows better selection of products to better serve the market.

3) Consistently launched interesting sales promotional campaigns that offered value for money products for consumers to stimulate sales while maintaining profitability.

Even MC GROUP experienced a fall in same-store sales growth of 1.3% during 9M 2015, last quarter had improved its performance significantly. Thanks to favorable seasonality and well-received sales promotional campaigns in Q4 2015, MC enjoyed a drastic increase of same-store sales growth of 19.2% in Q4 2015 that lifted all-year same-store sales growth of 2015 to 4.4% from 2014.

From those mentioned strategies, MC posted a record high sales of THB 3,895 mn, up 12.3% from 2014, aligned with its new growth target for sales revenue. Sales revenue from owned free-standing shops grew at 22.4% compared to 2014 and accounted for 51.7% of total sales revenue, an increase from 47.5% last year. This is consistent with the direction of MC’s business plan to focus on expansion through its owned free-standing shops. On the other hand, revenue contribution of modern trade sales fell to 43.6% of total sales revenue in 2015 from 48.0% in 2014.

MC recorded a gross profit of THB 2,186 mn or an increase of 15.8% from previous year. This is equivalent to a rise in gross profit margin to 56.1% in 2015 from 54.4% in 2014. Major factor contributing to this improvement in profitability was the higher gross profit margin of apparel business from production line improvement project since early 2015 that enhanced its efficiency in cost control.

Earnings before interest, taxes and depreciation and amortisation (EBITDA) for 2015 grew 3.4% from previous year as selling, general and administrative expense shot up 26.1%. SG&A expense to total

sales revenue ratio stood at 37.3% in 2015 (up from 33.2% in 2014). In addition, SG&A expense (excluding depreciation) to total sales revenue moved up to 34.1% from 30.5% in 2014 due to higher rental and service fees from growing points of sales and its new warehouse operating since end of February as well as rising expenses on its personnel both salesforce and management team to support future growth. Sales revenue for the first nine months was suppressed from a slow recovery in consumers' purchasing power resulting in 2015 EBITDA margin of 23.6%, or a decline from 25.7% in the previous year.

The Company's effective tax rate dropped significantly from 8.9% to 6.0% in 2014 due to the net profit of one of the subsidiaries had received tax privileges per the Investment Promotions Act.

In 2015, MC reported a net profit of THB 732 mn or a growth of 2.9% from 2014 owing to the mentioned factors. Additionally, MC posted a net profit margin of 18.5%, down from 20.1% in the previous year. Net profit margin of both apparel business and Time Deco business slid to 20.4% and 5.8% respectively compared to 22.2% and 8.0% in the previous year.

## **Financial Position Analysis**

### **Assets**

As of 31 December 2015, MC GROUP held a total asset of THB 5,100 mn compared to THB 4,857 mn as of 31 December 2014. An increase of THB 243 mn in total assets was derived from the following key factors:

- 1) An increase in cash and equivalents of THB 342 mn from sales of short term investments.
- 2) A decrease of short term investments by THB 1,164 mn for the purpose of business expansion and dividend payment.
- 3) An increase in accounts receivable of THB 68 mn.
- 4) An increase in inventory of THB 780 mn as a result of higher stocks to support the expansion of distribution network as well as stagnant consumption.
- 5) An increase in other current assets of THB 59 mn.
- 6) An increase in joint venture investment of THB 32 mn (with Phetkasem Holding Co., Ltd.).
- 7) An increase in intangible assets of THB 98 mn from an investment in IT systems to enhance management efficiency.
- 8) A rise in deferred tax assets of THB 26 mn.

### **Liabilities**

As of 31 December 2015, MC GROUP held a total liability of THB 1,024 mn compared to THB 932 mn as of 31 December 2014. This was a result of THB 63 mn increase in accounts payable from higher accrued expenses of THB 36 mn and lower income tax payable of THB 8 mn.

### **Shareholders' Equity**

As of 31 December 2015, shareholders' equity of MC increased by THB 151 mn to THB 4,076 mn from THB 3,925 mn as of 31 December 2014. The hike was derived from THB 751 mn in total comprehensive income netting off the dividend payment of THB 600 mn in 2015.

## **Liquidity and Important Ratios**

### **Cash Flows**

For 2015, MC cash and equivalents increased by THB 342 mn baht as a result of:

- 1) Cash flow from operations totaled THB 14 mn driven mainly from net profit of THB 732 mn and cash profit of THB 959 mn. Most of the cash was used to support business expansion which led an increase of inventory of THB 810 mn.
- 2) Cash flow from investment activities totaled THB 935 mn mainly from selling of short term investment of THB 1,158 mn and partly spent on the purchase of property, plant and equipment for business expansion totalling THB 150 mn as well as an investment in intangible assets of THB 101 mn in IT infrastructure to enhance operational efficiency and an investment in a joint venture of THB 15 mn.

3) Cash flow from financing activities of THB 607 mn. Most of the cash were paid as dividends to shareholders THB 600 mn and interest expenses of THB 6 mn.

**Financial Ratios**

In 2015, MC return on equity (ROE) stood at 18.8% while return on assets (ROA) was 14.7% slightly dropped from 19.2% and 15.0%, respectively in 2014 due to the lower growth of net profit and operating profit compared to the growth in shareholders' equity and assets.

Regarding liquidity ratios, in 2015 MC had inventory days of 377 days (apparel business inventory day was 354 days, up from 266 days in 2014) as a result of a slowdown in consumption since the beginning of the year as the economy has not recovered and grew at a lower rate than expected. Moreover, the typical low seasonal effect in Q2 and Q3 also caused inventories to rise. Inventory day of apparel business was at peak in Q3 (408 days) before came down to 354 days at the end of 2015 thanks to seasonality and new sales promotional campaigns MC organised in the last quarter. During the year MC put efforts in developing its IT systems to better distribute products and manage inventories more efficiently. This included a preparation to implement an ERP (Enterprise Resource Planning) to support future business growth that will enable the company to achieve efficient and effective product/inventory management.

Debt to equity ratio was still low at 0.25x and interest-bearing debt to equity was only 0.04x.

**Future Outlook**

MC GROUP is confident in growth potential of apparel retail and lifestyle product business as well as presented business opportunities. MC GROUP is unwavering in delivering strong performance every year given its ability to maintain its market leadership through experienced and dedicated executives and employees who work under shared goals of creating sustainable growth.

MC GROUP still committed to its business execution under following key strategies. 1) Sales network expansion including new channels to match consumers' buying behaviour. 2) New product development and introduction to enhance varieties of offering to customers and 3) Business expansion into new markets in the region. All these strategies will be carried out together with its emphasis on human resource management. This is to assure that business factors and foundations proved to create a success for MC GROUP in the past will continue to contribute to a sustainable growth in the future.

**Income Statement:**

| (THB millions)                          | FY '15 | FY '14 | % chg   |
|---|--------|--------|---------|
| Sales revenue                           | 3,895  | 3,470  | 12.3%   |
| Total revenue                           | 3,951  | 3,538  | 11.7%   |
| COGS                                    | 1,709  | 1,582  | 8.0%    |
| Selling expenses                        | 984    | 779    | 26.3%   |
| Administrative expenses                 | 468    | 372    | 25.8%   |
| Earnings before share of profit from JV | 790    | 805    | (1.8%)  |
| Share of profit from JV                 | 797    | 805    | (1.0%)  |
| EBIT                                    | 6      | 6      | (8.8%)  |
| Finance cost                            | 791    | 799    | (0.9%)  |
| EBT                                     | 47     | 71     | (34.2%) |
| Income tax expenses                     | 745    | 728    | 2.3%    |
| Net income                              | 12     | 16     | (21.8%) |
| Non-controlling interest                | 732    | 712    | 2.9%    |
| Net income to the firm                  | 732    | 712    | 2.9%    |

**Balance Sheet:**

| (THB millions)                  | 31-Dec-15 | 31-Dec-14 | % chg   |
|---------------------------------|-----------|-----------|---------|
| Cash and cash equivalent        | 877       | 1,699     | (48.4%) |
| Account receivables             | 702       | 634       | 10.7%   |
| Inventory                       | 2,316     | 1,536     | 50.8%   |
| Other assets                    | 1,205     | 988       | 22.0%   |
| <b>Total assets</b>             | 5,100     | 4,857     | 5.0%    |
| Account payables                | 554       | 491       | 13.0%   |
| Interest-bearing liabilities    | 158       | 155       | 1.6%    |
| Other liabilities               | 312       | 286       | 9.3%    |
| <b>Total liabilities</b>        | 1,024     | 932       | 9.9%    |
| Equity attributable to the firm | 3,957     | 3,819     | 3.6%    |
| Non-controlling interest        | 119       | 106       | 11.7%   |
| <b>Shareholders' equity</b>     | 4,076     | 3,925     | 3.8%    |



Key Financial Ratio:

| Financial Ratios                |       |            |           |
|---------------------------------|-------|------------|-----------|
| Liquidity Ratios                |       | 31-Dec-15  | 31-Dec-14 |
| Current Ratio                   | times | 4.13       | 4.49      |
|                                 |       | FY 2015    | FY 2014   |
| Average Days Receivable         | days  | 62         | 71        |
| Average Days in Inventory       | days  | 377        | 302       |
| Average Days Payable            | days  | 110        | 106       |
| Cash Cycle                      | days  | 328        | 267       |
| Profitability Ratios            |       | FY 2015    | FY 2014   |
| Gross Profit Margin             | %     | 56.1       | 54.4      |
| - Clothing business             | %     | 57.3       | 55.4      |
| - Time Deco                     | %     | 46.4       | 47.1      |
| Net Profit Margin               | %     | 18.5       | 20.1      |
| - Clothing business             | %     | 20.4       | 22.2      |
| - Time Deco                     | %     | 5.8        | 8.0       |
| EBITDA Margin                   | %     | 23.6       | 25.7      |
| Return on Equity                | %     | 18.8       | 19.2      |
| Efficiency Ratios               |       | FY 2015    | FY 2014   |
| Return on Assets                | %     | 14.7       | 15.0      |
| Leverage Ratios                 |       | 31-Dec.-15 | 31-Dec-14 |
| Interest Bearing Debt to Equity | times | 0.04       | 0.04      |
| Debt to Equity Ratio            | times | 0.25       | 0.24      |

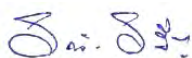
# Report of the Board of Directors' Responsibilities to Financial Report

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 2015



.....  
(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 : <a href="http://www.mcgroupnet.com">www.mcgroupnet.com</a>  |
| 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.<br>93 Ratchadaphisek Road, Dindaeng,<br>Bangkok 10400<br>Telephone: 02-009-9000<br>Fax.: 02-009-9001   |
| Auditor             | : E Y Office Company Limited<br>33rd Floor, Lake Rajada Office Complex<br>193/136-137 Rajadapisek Road Klongtoey, Bangkok 10110<br>Telephone: 0-2264-0777<br>Fax.: 0-2264-0789 -90<br>By Ms. Rungnapa Lertsuwankul and/or Ms. Pimjai Manitkajohnkit and/or Ms. Rosaporn Decharkom and/or Ms. Sumana Punpongsanon, Certified Public Accountant No. 3516, 4521, 5659 and 5872 respectively. |

# **MC GROUP**

FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2015 AND  
THE AUDITOR'S REPORT





## **Independent Auditor's Report**

To the Shareholders of MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries

I have audited the accompanying consolidated financial statements of MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of MC GROUP PUBLIC COMPANY LIMITED for the same period.

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

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

## **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 financial statements referred to above present fairly, in all material respects, the financial position of MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries and of MC GROUP PUBLIC COMPANY LIMITED as at 31 December 2015, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

### **Other Matter**

The consolidated financial statements of MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries and the separate financial statements of MC GROUP PUBLIC COMPANY LIMITED for the year ended 31 December 2014 was audited by another auditor who expressed an unqualified opinion on that statement, under his report dated 20 February 2015.



Sumana Punpongsanon

Certified Public Accountant (Thailand) No. 5872

EY Office Limited

Bangkok: 25 February 2016

MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries

Statement of financial position

As at 31 December 2015

(Unit: Baht)

|                               | Note | Consolidated financial statements |               | Separate financial statements |               |
|-------------------------------|------|-----------------------------------|---------------|-------------------------------|---------------|
|                               |      | 2015                              | 2014          | 2015                          | 2014          |
| Assets                        |      |                                   |               |                               |               |
| Current assets                |      |                                   |               |                               |               |
| Cash and cash equivalents     | 7    | 496,185,929                       | 154,403,777   | 480,824,388                   | 142,346,596   |
| Short-term investments        | 8    | 380,420,907                       | 1,544,479,580 | 380,174,061                   | 1,544,219,064 |
| Trade and other receivables   | 6, 9 | 707,035,214                       | 647,896,496   | 866,101,353                   | 901,290,092   |
| Inventories                   | 10   | 2,315,977,990                     | 1,536,182,331 | 2,331,734,118                 | 1,218,497,318 |
| Other current assets          | 11   | 128,518,706                       | 69,131,340    | 58,055,587                    | 23,058,849    |
| Total current assets          |      | 4,028,138,746                     | 3,952,093,524 | 4,116,889,507                 | 3,829,411,919 |
| Non-current assets            |      |                                   |               |                               |               |
| Investments in subsidiaries   | 12   | -                                 | -             | 480,953,304                   | 464,932,204   |
| Investments in joint ventrue  | 13   | 31,859,723                        | -             | -                             | -             |
| Property, plant and equipment | 14   | 445,244,810                       | 447,581,067   | 343,076,394                   | 316,359,940   |
| Goodwill                      |      | 107,783,356                       | 107,783,356   | -                             | -             |
| Intangible assets             | 15   | 213,308,613                       | 115,053,972   | 212,155,229                   | 110,700,779   |
| Deferred tax assets           | 22   | 154,900,384                       | 129,366,638   | 91,303,742                    | 68,087,069    |
| Rental deposits               |      | 100,258,120                       | 79,145,000    | 88,008,916                    | 66,687,959    |
| Other non-current assets      | 6    | 18,566,922                        | 25,721,327    | 17,473,912                    | 24,200,037    |
| Total non-current assets      |      | 1,071,921,928                     | 904,651,360   | 1,232,971,497                 | 1,050,967,988 |
| Total assets                  |      | 5,100,060,674                     | 4,856,744,884 | 5,349,861,004                 | 4,880,379,907 |

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

**MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries**

**Statement of financial position (continued)**

**As at 31 December 2015**

(Unit: Baht)

|  |       | Consolidated financial statements |             | Separate financial statements |             |
|--|-------|-----------------------------------|-------------|-------------------------------|-------------|
|  | Note  | 2015                              | 2014        | 2015                          | 2014        |
| Liabilities and shareholder's equity         |       |                                   |             |                               |             |
| Current liabilities                          |       |                                   |             |                               |             |
| Bank overdrafts and short-term loans         |       |                                   |             |                               |             |
| from financial institutions                  | 16    | 157,894,172                       | 155,418,326 | -                             | -           |
| Trade and other payables                     | 6, 17 | 736,678,433                       | 633,319,783 | 1,257,030,946                 | 900,403,971 |
| Current portion of liabilities under finance |       |                                   |             |                               |             |
| lease agreements                             | 18    | 146,347                           | 1,096,451   | -                             | -           |
| Short-term loans from related parties        | 6     | 25,572,602                        | 25,572,602  | -                             | -           |
| Income tax payable                           |       | 7,164,154                         | 14,975,334  | 2,338,520                     | 8,722,776   |
| Other current liabilities                    |       | 48,956,123                        | 50,738,414  | 26,871,985                    | 27,719,729  |
| Total current liabilities                    |       | 976,411,831                       | 881,120,910 | 1,286,241,451                 | 936,846,476 |
| Non-current liabilities                      |       |                                   |             |                               |             |
| Liabilities under finance lease agreements   |       |                                   |             |                               |             |
| - net of current portion                     | 18    | 328,707                           | 3,456,907   | -                             | -           |
| Provision for long-term employee benefits    | 19    | 41,497,873                        | 40,657,509  | 22,553,217                    | 21,059,689  |
| Other non-current liabilities                | 6     | 6,254,584                         | 6,653,094   | 1,694,898                     | 1,372,224   |
| Total non-current liabilities                |       | 48,081,164                        | 50,767,510  | 24,248,115                    | 22,431,913  |
| Total liabilities                            |       | 1,024,492,995                     | 931,888,420 | 1,310,489,566                 | 959,278,389 |

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

MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries

Statement of financial position (continued)

As at 31 December 2015

(Unit: Baht)

|   | Note | Consolidated financial statements |                      | Separate financial statements |                      |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
|   |      | 2015                              | 2014                 | 2015                          | 2014                 |
| <b>Shareholder's equity</b>                       |      |                                   |                      |                               |                      |
| Share capital                                     |      |                                   |                      |                               |                      |
| Registered share capital                          |      | 400,000,000                       | 400,000,000          | 400,000,000                   | 400,000,000          |
| (800,000,000 ordinary shares of Baht 0.50 each)   |      |                                   |                      |                               |                      |
| Issued and fully paid-up share capital            |      | 400,000,000                       | 400,000,000          | 400,000,000                   | 400,000,000          |
| (800,000,000 ordinary shares of Baht 0.50 each)   |      |                                   |                      |                               |                      |
| Premium on ordinary shares                        |      | 2,824,925,638                     | 2,824,925,638        | 2,824,925,638                 | 2,824,925,638        |
| Retained earnings                                 |      |                                   |                      |                               |                      |
| Appropriated - statutory reserve                  | 20   | 65,000,000                        | 65,000,000           | 40,000,000                    | 40,000,000           |
| Unappropriated                                    |      | 669,541,893                       | 531,301,775          | 774,445,800                   | 656,175,880          |
| Other components of shareholders' equity          |      | (2,626,281)                       | (2,620,102)          | -                             | -                    |
| Equity attributable to owners of the Company      |      | 3,956,841,250                     | 3,818,607,311        | 4,039,371,438                 | 3,921,101,518        |
| Non-controlling interests of the subsidiaries     |      | 118,726,429                       | 106,249,153          | -                             | -                    |
| <b>Total shareholders' equity</b>                 |      | <b>4,075,567,679</b>              | <b>3,924,856,464</b> | <b>4,039,371,438</b>          | <b>3,921,101,518</b> |
| <b>Total liabilities and shareholders' equity</b> |      | <b>5,100,060,674</b>              | <b>4,856,744,884</b> | <b>5,349,861,004</b>          | <b>4,880,379,907</b> |
|   |      | -                                 | -                    | -                             | -                    |

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



**MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries**

**Income statement**

**For the year ended 31 December 2015**

(Unit: Baht)

|  |             | <b>Consolidated financial statements</b> |                      | <b>Separate financial statements</b> |                      |
|--|-------------|--|----------------------|--------------------------------------|----------------------|
|  | <b>Note</b> | <b>2015</b>                              | <b>2014</b>          | <b>2015</b>                          | <b>2014</b>          |
| <b>Income</b>  |             |  |                      |                                      |                      |
| Sales income   | 6           | 3,894,989,149                            | 3,469,752,912        | 3,451,068,839                        | 3,038,472,502        |
| Dividend income  | 6           | 7,122                                    | 6,000                | 587,492,950                          | 657,492,000          |
| Interest income  | 6           | 24,046,199                               | 37,769,145           | 25,038,806                           | 41,909,353           |
| Other income   | 6           | 31,859,059                               | 30,076,676           | 44,629,965                           | 39,073,939           |
| <b>Total income</b>  |             | <b>3,950,901,529</b>                     | <b>3,537,604,733</b> | <b>4,108,230,560</b>                 | <b>3,776,947,794</b> |
| <b>Expenses</b>  |             |  |                      |                                      |                      |
| Cost of sales  |             | 1,708,816,793                            | 1,581,609,939        | 2,013,249,955                        | 1,864,286,492        |
| Selling expenses   |             | 983,898,760                              | 778,965,038          | 950,530,022                          | 708,421,661          |
| Administrative expenses  | 6           | 467,992,229                              | 372,110,337          | 387,795,759                          | 313,419,398          |
| <b>Total expenses</b>  |             | <b>3,160,707,782</b>                     | <b>2,732,685,314</b> | <b>3,351,575,736</b>                 | <b>2,886,127,551</b> |
| <b>Profit before share of profit from investments in joint venture, finance cost and income tax expenses</b> |             |  |                      |                                      |                      |
|  |             | 790,193,747                              | 804,919,419          | 756,654,824                          | 890,820,243          |
| Share of profit from investments in joint venture  | 13          | 6,768,884                                | -                    | -                                    | -                    |
| <b>Profit before finance cost and income tax expenses</b>  |             | <b>796,962,631</b>                       | <b>804,919,419</b>   | <b>756,654,824</b>                   | <b>890,820,243</b>   |
| Finance cost   |             | (5,593,843)                              | (6,132,320)          | (4,638)                              | (10,205)             |
| <b>Profit before income tax expenses</b>   |             | <b>791,368,788</b>                       | <b>798,787,099</b>   | <b>756,650,186</b>                   | <b>890,810,038</b>   |
| Income tax expenses  | 22          | (46,854,818)                             | (71,156,844)         | (39,621,568)                         | (51,802,813)         |
| <b>Profit for the year</b>   |             | <b>744,513,970</b>                       | <b>727,630,255</b>   | <b>717,028,618</b>                   | <b>839,007,225</b>   |
| <b>Other comprehensive income:</b>   |             |  |                      |                                      |                      |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>             |             |  |                      |                                      |                      |
| Actuarial gains - net of income tax  | 19, 22.3    | 6,225,394                                | -                    | 1,241,302                            | -                    |
| <b>Total comprehensive income for the year</b>   |             | <b>750,739,364</b>                       | <b>727,630,255</b>   | <b>718,269,920</b>                   | <b>839,007,225</b>   |
| <b>Profit attributable to:</b>   |             |  |                      |                                      |                      |
| Equity holders of the Company  |             | 732,016,271                              | 711,644,698          | 717,028,618                          | 839,007,225          |
| Non-controlling interests of the subsidiaries  |             | 12,497,699                               | 15,985,557           |                                      |                      |
|  |             | <b>744,513,970</b>                       | <b>727,630,255</b>   |                                      |                      |
| <b>Total comprehensive income attributable to:</b>   |             |  |                      |                                      |                      |
| Equity holders of the Company  |             | 738,240,118                              | 711,644,698          | 718,269,920                          | 839,007,225          |
| Non-controlling interests of the subsidiaries  |             | 12,499,246                               | 15,985,557           |                                      |                      |
|  |             | <b>750,739,364</b>                       | <b>727,630,255</b>   |                                      |                      |
| <b>Earnings per share</b>  |             |  |                      |                                      |                      |
| Basic earnings per share   |             |  |                      |                                      |                      |
| Profit attributable to equity holders of the Company   | 24          | 0.92                                     | 0.89                 | 0.90                                 | 1.05                 |

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

MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2015

|   | Consolidated financial statements            |                               |                   |                |  |   |             |   |   |                                  | (Unit: Baht) |
|---|--|-------------------------------|-------------------|----------------|--|---|-------------|---|---|----------------------------------|--------------|
|   | Equity attributable to owners of the Company |                               |                   |                |  |   |             |   |   |                                  |              |
|   | Issued and<br>fully paid-up<br>share capital | Premium on<br>ordinary shares | Retained earnings |                | Other components of<br>shareholders' equity                              |   |             | Total equity<br>attributable to<br>owners of<br>the Company | Equity attributable<br>to non-controlling<br>interests of<br>the subsidiaries | Total<br>shareholders'<br>equity |              |
|   |  |                               | Appropriated      | Unappropriated | Deficit from<br>the change in the<br>ownership interest<br>in subsidiary | Total other<br>components of<br>shareholders'<br>equity |             |   |   |                                  |              |
| <b>Balance as at 1 January 2014</b>                             | 400,000,000                                  | 2,824,925,638                 | 65,000,000        | 323,657,077    | -  | -   | -           | 3,613,582,715   | 87,787,784  | 3,701,370,499                    |              |
| Profit for the year   | -  | -                             | -                 | 711,644,698    | -  | -   | -           | 711,644,698   | 15,985,557  | 727,630,255                      |              |
| Other comprehensive income for the year                         | -  | -                             | -                 | -              | -  | -   | -           | -   | -   | -                                |              |
| Total comprehensive income for the year                         | -  | -                             | -                 | 711,644,698    | -  | -   | -           | 711,644,698   | 15,985,557  | 727,630,255                      |              |
| Dividend paid (Note 27)   | -  | -                             | -                 | (504,000,000)  | -  | -   | -           | (504,000,000)   | (7,890)   | (504,007,890)                    |              |
| Investment in subsidiary  | -  | -                             | -                 | -              | -  | -   | -           | -   | 63,600  | 63,600                           |              |
| Deficit from the change in the ownership interest in subsidiary | -  | -                             | -                 | -              | (2,620,102)  | (2,620,102)   | (2,620,102) | (2,620,102)   | 2,420,102   | (200,000)                        |              |
| <b>Balance as at 31 December 2014</b>                           | 400,000,000                                  | 2,824,925,638                 | 65,000,000        | 531,301,775    | (2,620,102)  | (2,620,102)   | (2,620,102) | 3,818,607,311   | 106,249,153   | 3,924,856,464                    |              |
| <b>Balance as at 1 January 2015</b>                             | 400,000,000                                  | 2,824,925,638                 | 65,000,000        | 531,301,775    | (2,620,102)  | (2,620,102)   | (2,620,102) | 3,818,607,311   | 106,249,153   | 3,924,856,464                    |              |
| Profit for the year   | -  | -                             | -                 | 732,016,271    | -  | -   | -           | 732,016,271   | 12,497,699  | 744,513,970                      |              |
| Other comprehensive income for the year                         | -  | -                             | -                 | 6,223,847      | -  | -   | -           | 6,223,847   | 1,547   | 6,225,394                        |              |
| Total comprehensive income for the year                         | -  | -                             | -                 | 738,240,118    | -  | -   | -           | 738,240,118   | 12,499,246  | 750,739,364                      |              |
| Dividend paid (Note 27)   | -  | -                             | -                 | (600,000,000)  | -  | -   | -           | (600,000,000)   | (7,050)   | (600,007,050)                    |              |
| Deficit from the change in the ownership interest in subsidiary | -  | -                             | -                 | -              | (6,179)  | (6,179)   | (6,179)     | (6,179)   | (14,920)  | (21,099)                         |              |
| <b>Balance as at 31 December 2015</b>                           | 400,000,000                                  | 2,824,925,638                 | 65,000,000        | 669,541,893    | (2,626,281)  | (2,626,281)   | (2,626,281) | 3,956,841,250   | 118,726,429   | 4,075,567,679                    |              |
|   | -  | -                             | -                 | -              | -  | -   | -           | -   | -   | -                                |              |
|   | -  | -                             | -                 | -              | -  | -   | -           | -   | -   | -                                |              |

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

**MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries**

**Statement of changes in shareholders' equity (continued)**

**For the year ended 31 December 2015**

(Unit: Baht)

|   | Separate financial statements                |                               |                   |                |                                  |
|---|--|-------------------------------|-------------------|----------------|----------------------------------|
|   | Issued and<br>fully paid-up<br>share capital | Premium on<br>ordinary shares | Retained earnings |                | Total<br>shareholders'<br>equity |
|   |  |                               | Appropriated      | Unappropriated |                                  |
| <b>Balance as at 1 January 2014</b>     | 400,000,000                                  | 2,824,925,638                 | 40,000,000        | 321,168,655    | 3,586,094,293                    |
| Profit for the year                     | -  | -                             | -                 | 839,007,225    | 839,007,225                      |
| Other comprehensive income for the year | -  | -                             | -                 | -              | -                                |
| Total comprehensive income for the year | -  | -                             | -                 | 839,007,225    | 839,007,225                      |
| Dividend paid (Note 27)                 | -  | -                             | -                 | (504,000,000)  | (504,000,000)                    |
| <b>Balance as at 31 December 2014</b>   | 400,000,000                                  | 2,824,925,638                 | 40,000,000        | 656,175,880    | 3,921,101,518                    |
| <b>Balance as at 1 January 2015</b>     | 400,000,000                                  | 2,824,925,638                 | 40,000,000        | 656,175,880    | 3,921,101,518                    |
| Profit for the year                     | -  | -                             | -                 | 717,028,618    | 717,028,618                      |
| Other comprehensive income for the year | -  | -                             | -                 | 1,241,302      | 1,241,302                        |
| Total comprehensive income for the year | -  | -                             | -                 | 718,269,920    | 718,269,920                      |
| Dividend paid (Note 27)                 | -  | -                             | -                 | (600,000,000)  | (600,000,000)                    |
| <b>Balance as at 31 December 2015</b>   | 400,000,000                                  | 2,824,925,638                 | 40,000,000        | 774,445,800    | 4,039,371,438                    |
|   | -  | -                             | -                 | -              | -                                |
|   | -  | -                             | -                 | -              | -                                |

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

**MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries**  
**Statement of cash flows**  
**For the year ended 31 December 2015**

|  | (Unit: Baht)                      |                    |                               |                   |
|--|-----------------------------------|--------------------|-------------------------------|-------------------|
|  | Consolidated financial statements |                    | Separate financial statements |                   |
|  | 2015                              | 2014               | 2015                          | 2014              |
| <b>Cash flows from operating activities</b>  |                                   |                    |                               |                   |
| Profit before tax  | 791,368,788                       | 798,787,099        | 756,650,186                   | 890,810,038       |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: |                                   |                    |                               |                   |
| Depreciation and amortisation  | 155,124,520                       | 130,582,135        | 114,457,409                   | 73,925,218        |
| Dividend income  | (7,122)                           | (6,000)            | (587,492,950)                 | (657,492,000)     |
| Interest income  | (24,045,704)                      | (37,769,145)       | (25,038,806)                  | (41,909,353)      |
| Long-term employee benefit expenses  | 12,105,006                        | 8,079,889          | 5,763,589                     | 4,402,125         |
| Share of profit from investments in joint venture  | (6,768,884)                       | -                  | -                             | -                 |
| Finance cost   | 5,593,843                         | 6,132,320          | -                             | -                 |
| Unrealised loss (gain) from changes in fair value of trading investments                             | 5,627,824                         | (5,806,523)        | 5,614,154                     | (5,757,264)       |
| Unrealised gain on exchange  | (26,848)                          | -                  | (4,429)                       | -                 |
| Loss from impairment of investment in subsidiary   | -                                 | -                  | -                             | 1,000,000         |
| Allowance for doubtful accounts  | 5,826,838                         | 3,641,570          | 5,864,754                     | 28,640,160        |
| Reduction of inventories to net realisable value (reversal)  | 18,386,302                        | (12,661,184)       | 26,319,117                    | (12,659,981)      |
| Reversal of allowance for impairment loss on intangible assets                                       | (5,761,986)                       | (2,457,417)        | (5,153,021)                   | -                 |
| Loss (gain) on disposal of property, plant and equipment   | 1,100,599                         | 174,364            | (63,909)                      | (204,630)         |
| Profit from operating activities before changes in operating assets and liabilities                  | 958,523,176                       | 888,697,108        | 296,916,094                   | 280,754,313       |
| Operating assets (increase) decrease   |                                   |                    |                               |                   |
| Trade and other receivables  | (78,643,732)                      | 88,626,493         | (100,738,281)                 | 64,444,622        |
| Inventories  | (810,420,634)                     | (160,744,333)      | (1,139,555,917)               | 13,400,025        |
| Other current assets   | (40,984,652)                      | (21,160,115)       | (34,996,738)                  | 11,381,342        |
| Other non-current assets   | (13,958,715)                      | (36,043,723)       | (14,594,832)                  | (41,622,692)      |
| Operating liabilities increase (decrease)  |                                   |                    |                               |                   |
| Trade and other payables   | 103,487,373                       | 41,267,972         | 358,721,876                   | (155,577,850)     |
| Other current liabilities  | (1,879,995)                       | (39,227,524)       | (851,170)                     | (31,397,369)      |
| Other non-current liabilities  | (398,510)                         | 1,565,197          | 1,493,528                     | 731,223           |
| Payment of long-term employee benefits   | (3,482,899)                       | (6,626,373)        | (2,718,433)                   | (2,154,535)       |
| Cash flows from (used in) operating activities   | 112,241,412                       | 756,354,702        | (636,323,873)                 | 139,959,079       |
| Cash paid for corporate income tax   | (97,753,261)                      | (104,887,195)      | (69,532,823)                  | (77,825,770)      |
| <b>Net cash flows from (used in) operating activities</b>  | <b>14,488,151</b>                 | <b>651,467,507</b> | <b>(705,856,696)</b>          | <b>62,133,309</b> |

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

**MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries**  
**Statement of cash flows (continued)**  
**For the year ended 31 December 2015**

|   | (Unit: Baht)                      |                      |                               |                      |
|---|-----------------------------------|----------------------|-------------------------------|----------------------|
|   | Consolidated financial statements |                      | Separate financial statements |                      |
|   | 2015                              | 2014                 | 2015                          | 2014                 |
| <b>Cash flows from investing activities</b>                                     |                                   |                      |                               |                      |
| Cash received from interest income  | 37,859,744                        | 48,545,767           | 38,852,847                    | 52,686,230           |
| Cash paid for acquisition of property, plant and equipment                      | (150,424,785)                     | (239,308,424)        | (137,859,033)                 | (219,331,256)        |
| Cash paid for acquisition of intangible assets                                  | (100,897,312)                     | (109,461,577)        | (100,897,312)                 | (107,643,119)        |
| Proceeds from disposal of property, plant and equipment                         | 4,940,578                         | 8,426,866            | 1,344,582                     | 1,686,916            |
| Decrease (increase) in short-term investments                                   | 1,158,430,849                     | (14,186,328)         | 1,158,430,849                 | (14,186,328)         |
| Cash received from dividend income  | 7,122                             | 6,365                | 703,741,555                   | 619,742,563          |
| Cash received from short-term loans to related parties                          | -                                 | -                    | 188,549,500                   | 374,761,770          |
| Payment of short-term loans to related parties                                  | -                                 | -                    | (191,803,975)                 | (166,028,630)        |
| Cash paid for investments in joint venture                                      | (15,299,900)                      | -                    | -                             | -                    |
| Cash paid for investments in subsidiaries                                       | (21,099)                          | (200,000)            | (16,021,100)                  | (212,136,400)        |
| <b>Net cash flows from (used in) investing activities</b>                       | <b>934,595,197</b>                | <b>(306,177,331)</b> | <b>1,644,337,913</b>          | <b>329,551,746</b>   |
| <b>Cash flows from financing activities</b>                                     |                                   |                      |                               |                      |
| Interest paid   | (5,686,868)                       | (6,001,457)          | -                             | -                    |
| Dividend paid   | (600,011,870)                     | (504,491,986)        | (600,003,425)                 | (504,486,421)        |
| Increase in short-term loans from financial institutions                        | 2,475,846                         | 47,206,085           | -                             | -                    |
| Finance lease payments  | (4,078,304)                       | (1,026,842)          | -                             | -                    |
| Cash received from short-term loans from related parties                        | -                                 | 22,350,000           | -                             | 6,001,027            |
| Repayment of short-term loans from related parties                              | -                                 | (16,086,633)         | -                             | (6,001,027)          |
| Proceeds from non-controlling interests due to issuance of shares by subsidiary | -                                 | 63,600               | -                             | -                    |
| <b>Net cash flows used in financing activities</b>                              | <b>(607,301,196)</b>              | <b>(457,987,233)</b> | <b>(600,003,425)</b>          | <b>(504,486,421)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>                     | <b>341,782,152</b>                | <b>(112,697,057)</b> | <b>338,477,792</b>            | <b>(112,801,366)</b> |
| Cash and cash equivalents at beginning of the year                              | 154,403,777                       | 267,100,834          | 142,346,596                   | 255,147,962          |
| <b>Cash and cash equivalents at end of the year (Note 7)</b>                    | <b>496,185,929</b>                | <b>154,403,777</b>   | <b>480,824,388</b>            | <b>142,346,596</b>   |
|   | -                                 | -                    | -                             | -                    |
| <b>Supplemental cash flows information</b>                                      |                                   |                      |                               |                      |
| Non-cash item   |                                   |                      |                               |                      |
| Actuarial gains on defined benefit plan   | 7,824,272                         | -                    | 1,551,628                     | -                    |

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

## **MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries**

### **Notes to consolidated financial statements**

#### **For the year ended 31 December 2015**

##### **1. General information**

MC GROUP PUBLIC COMPANY LIMITED, (“the Company”), is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the distribution management of clothing and accessories which was mainly supported by the Company’s subsidiaries for manufacturing of products. Its registered address is at No. 448, 450, Onnuch Road, Kwang Pravet, Khet Pravet, Bangkok.

As at 31 December 2015, the Company’s major shareholder is Khun Sunee Seripanu which holds 44.93 percent (2014: 44.56 percent).

##### **2. Basis of preparation**

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

##### **2.2 Basis of consolidation**

- a) The consolidated financial statements include the financial statements of MC GROUP PUBLIC COMPANY LIMITED (“the Company”) and the following subsidiary companies (“the subsidiaries”):



| Company’s name                        | ature of business   | Country of<br>incorporation | Percentage of<br>shareholding |             |
|---------------------------------------|---|-----------------------------|-------------------------------|-------------|
|                                       |   |                             | <u>2015</u>                   | <u>2014</u> |
|                                       |   |                             | (Percent)                     | (Percent)   |
| <b>Direct subsidiaries</b>            |   |                             |                               |             |
| P.K.Garment (Import-Export) Co., Ltd. | Manufacturing of clothing   | Thailan                     | 99.99                         | 99.99       |
| Mc Jeans Manufacturing Co., Ltd.      | Manufacturing of clothing   | Thailand                    | 99.97                         | 99.97       |
| Winner Man Co., Ltd.                  | Staff personnel services to the Group                               | Thailan                     | 99.97                         | 99.97       |
| WoWme Limited                         | Distribution of goods and service via<br>online channel             | Thailand                    | 99.97                         | 99.97       |
| MC INTER LIMITED                      | Support for business operation and<br>investment in foreign country | Hong Kong                   | 100.00                        | 100.00      |
| Look Balance Co., Ltd.                | Holdings company  | Thailan                     | 99.98                         | 99.97       |
| MC Jeanious Co., Ltd.                 | Holdings company  | Thailan                     | 99.99                         | -           |
| <b>Indirect subsidiary</b>            |   |                             |                               |             |
| Time Deco Corporation Limited         | Import and distribution of the<br>world’s leading watch brands      | Thailand                    | 51.00                         | 51.00       |

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiaries under the cost method.

### 3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

#### (a) Financial reporting standards that became effective in the current year

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, some of these standards involve changes to key principles, which are summarised below:

#### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognises actuarial gains and losses immediately in other comprehensive income while the former standard allowed the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognise actuarial gains and losses immediately in other comprehensive income.

## **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the content of TAS 27 *Consolidated and Separate Financial Statements* dealing with consolidated financial statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over investees and determining which entities have to be included in preparation of the consolidated financial statements.

This standard does not have any impact on the Company's and its subsidiaries' financial statements.

## **TFRS 11 Joint Arrangements**

TFRS 11 supersedes TAS 31 *Interests in Joint Ventures*. This standard requires an entity investing in any other entity to determine whether the entity and other investors have joint control in the investment. When joint control exists, there is deemed to be a joint arrangement and the entity then needs to apply judgement to assess whether the joint arrangement is a joint operation or a joint venture and to account for the interest in the investment in a manner appropriate to the type of joint arrangement. If it is a joint operation, the entity is to recognise its shares of assets, liabilities, revenue and expenses of the joint operation, in proportion to its interest, in its separate financial statements. If it is a joint venture, the entity is to account for its investment in the joint venture using the equity method in the financial statements in which the equity method is applied or the consolidated financial statements (if any), and at cost in the separate financial statements.

This standard does not have any impact on the Company's and its subsidiaries' financial statements.

## **TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact on the financial statements of the Company and its subsidiaries.

## **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effects of the adoption of this standard are to be recognised prospectively.

This standard does not have any significant impact on the Company's and its subsidiaries' financial statements.

### **(b) Financial reporting standards that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is initially applied.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

#### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

**4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

**4.4 Inventories**

Finished goods and work in process are valued at the lower of cost under the weighted average method and net realisable value.

Raw materials are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

**4.5 Investments**

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in joint venture are accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of investments in unit trusts is determined based on the net asset value of the last working day of the year.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

**4.6 Property, plant and equipment/Depreciation**

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

|                                |   |                |
|--------------------------------|---|----------------|
| Building and factory           | - | 5 and 20 years |
| Leasehold right improvement    | - | 3 and 10 years |
| Machines and factory equipment | - | 5 and 10 years |
| Fixtures and office equipment  | - | 3 and 5 years  |
| Motor vehicles                 | - | 5 and 10 years |

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

**4.7 Intangible assets**

Intangible assets acquired through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

|                   | <u>Useful lives</u> |
|-------------------|---------------------|
| Computer software | 3 and 5 years       |

**4.8 Leasehold rights**

Leasehold rights on land is stated at cost less accumulated amortisation and allowance for impairment (if any). Amortisation is charged to the statement of comprehensive income on a straight-line basis over a period of lease.

**4.9 Goodwill**

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company and its subsidiary's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company and its subsidiary estimate the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.



#### **4.10 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

#### **4.11 Long-term leases**

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease period.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### **4.12 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.13 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

#### **4.14 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### ***Post-employment benefits***

###### ***Defined contribution plans***

The Company, its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

###### ***Defined benefit plans***

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labour law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

#### **4.15 Provisions**

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.16 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

## **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

### **4.17 Forward exchange contracts**

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

### **4.18 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### **Recognition of investments in joint ventures by the equity method when the subsidiary holds more than half of shares**

The management of the subsidiary determined that the subsidiary has no control over TOP-T 2015 Co., Ltd even though the subsidiary holds 51% of shares and voting rights, which is more than half of shares and voting rights because the subsidiary and the other shareholder have mutual control over this company. One shareholder is not able to direct the significant activities without the other shareholder's consent.

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Reduce cost to net realisable value of inventories**

In determining a reduce cost to net realisable value of inventories, the management needs to make judgement in estimating the losses that will be incurred on the sale of the inventories, taking into account net realisable value, aging profile of outstanding inventories and the stock-keeping conditions, among other factors.

### **Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise

judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

### **Impairment of investments**

The Company and its subsidiaries treat investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

### **Property plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Goodwill and intangible assets**

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

The relationship between the Company and the related parties are summarised below.

| Name of related parties                | Country of<br>incorporation | Nature of relationships   |
|--|-----------------------------|---|
| P.K.Garment (Import-Export) Co., Ltd.  | Thailand                    | Subsidiary Company  |
| Mc Jeans Manufacturing Co., Ltd.       | Thailand                    | Subsidiary Company  |
| Winner Man Co., Ltd.                   | Thailand                    | Subsidiary Company  |
| WoWme Limited                          | Thailand                    | Subsidiary Company  |
| MC INTER LIMITED                       | Hong Kong                   | Subsidiary Company  |
| Look Balance Co., Ltd.                 | Thailand                    | Subsidiary Company  |
| MC Jeanious Co., Ltd.                  | Thailand                    | Subsidiary Company  |
| Time Deco Corporation Limited          | Thailand                    | Subsidiary Company (held by a subsidiary)                             |
| TOP-T 2015 Co., Ltd.                   | Thailand                    | Joint venture (held by a subsidiary)                                  |
| Millenium (1975) Co., Ltd.             | Thailand                    | Common major shareholders and directors                               |
| S.S.Challenge Co., Ltd.                | Thailand                    | Common major shareholders   |
| O.T.M. Management Co., Ltd.            | Thailand                    | Common directors  |
| Panamera Fashion Co., Ltd.             | Thailand                    | Common directors  |
| Panapat Co., Ltd.                      | Thailand                    | Common directors  |
| Time Deco Services Co., Ltd.           | Thailand                    | Common directors  |
| Boutique Property Management Co., Ltd. | Thailand                    | Common shareholders and directors                                     |
| P.K. Grand Co., Ltd.                   | Thailand                    | Common shareholders (ceased being a<br>related party since July 2014) |

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

| Transactions                                 | Pricing policies    |
|--|---------------------|
| Sales  | Contractual price   |
| Rendering of services                        | Contractual price   |
| Purchase of goods / raw materials / services | Contractual price   |
| Interest on loan                             | Average cost of fun |
| Rental and service fee                       | Contractual price   |

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

|   | For the years ended 31 December |      |                      |           |
|---|---------------------------------|------|----------------------|-----------|
|   | Consolidated                    |      | Separate             |           |
|   | financial statements            |      | financial statements |           |
|   | 2015                            | 2014 | 2015                 | 2014      |
| <u>Transactions with major shareholder</u>              |                                 |      |                      |           |
| Other expenses  | -                               | 253  | -                    | -         |
| <u>Transactions with subsidiaries</u>                   |                                 |      |                      |           |
| (Eliminated from the consolidated financial statements) |                                 |      |                      |           |
| Sales or rendering of services                          | -                               | -    | 786                  | 8         |
| Purchase of goods or receiving of services              | -                               | -    | 1,799,295            | 1,275,678 |
| Dividend income   | -                               | -    | 587,493              | 657,492   |
| Interest income   | -                               | -    | 995                  | 4,141     |
| Other income  | -                               | -    | 27,107               | 21,805    |
| Other expenses  | -                               | -    | 3,342                | 14,183    |
| Interest expenses                                       | -                               | -    | -                    | 10        |
| Purchases of property, plant, equipment and software    | -                               | -    | -                    | 3,745     |
| Personnel service expenses                              | -                               | -    | 353,922              | 275,540   |



(Unit: Thousand Baht)

For the years ended 31 December

|   | Consolidated         |        | Separate             |        |
|---|----------------------|--------|----------------------|--------|
|   | financial statements |        | financial statements |        |
|   | 2015                 | 2014   | 2015                 | 2014   |
| <u>Transactions with joint venture</u>            |                      |        |                      |        |
| Purchase of goods                                 | 86,157               | -      | 86,157               | -      |
| Other income                                      | 6,189                | -      | 6,189                | -      |
| <u>Transactions with related parties</u>          |                      |        |                      |        |
| Sales or rendering of services                    | 5,031                | 9,628  | -                    | 126    |
| Purchases of goods or                             |                      |        |                      |        |
| receiving of services                             | -                    | 43,299 | -                    | 40,288 |
| Other expenses                                    | 15,731               | 18,463 | 7,500                | 5,992  |
| <u>Transactions with key management personnel</u> |                      |        |                      |        |
| Key management personnel compensation             |                      |        |                      |        |
| Short-term employee benefits                      | 37,857               | 39,357 | 35,357               | 37,559 |
| Post-employment benefits                          | 2,666                | 2,809  | 2,276                | 2,439  |
| Other   | 1,091                | 1,930  | 1,091                | 1,008  |
| Total key management personnel                    |                      |        |                      |        |
| compensation                                      | 41,614               | 44,096 | 38,724               | 41,006 |

The balances of the accounts as at 31 December 2015 and 2014 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

|   | Consolidate          |       | Separate             |         |
|---|----------------------|-------|----------------------|---------|
|   | financial statements |       | financial statements |         |
|   | 2015                 | 2014  | 2015                 | 2014    |
| <u>Trade and other receivables - related parties (Note 9)</u> |                      |       |                      |         |
| Subsidiaries  | -                    | -     | 43,857               | 38,468  |
| Joint venture   | 4,809                | -     | 4,809                | -       |
| Related companies   | 761                  | 2,648 | 187,498              | 303,746 |
| Total trade and other receivables -                           |                      |       |                      |         |

| (Unit: Thousand Baht)                                       |                      |       |                      |         |
|---|----------------------|-------|----------------------|---------|
|   | Consolidated         |       | Separate             |         |
|   | financial statements |       | financial statements |         |
| <b>Trade and other payables - related parties (Note 17)</b> |                      |       |                      |         |
| Subsidiaries  | -                    | -     | 728,788              | 584,745 |
| Joint venture   | -                    | -     | 64,273               | -       |
| Related companies   | 60,322               | 9,703 | -                    | -       |
| Major shareholder   | -                    | 16    | -                    | 16      |
| Directors   | 76                   | 146   | 76                   | 146     |
| Total trade and other payables -                            |                      |       |                      |         |
| related parties   | 60,398               | 9,865 | 793,137              | 584,907 |

| (Unit: Thousand Baht)                                  |                      |        |                      |      |
|--|----------------------|--------|----------------------|------|
|  | Consolidated         |        | Separate             |      |
|  | financial statements |        | financial statements |      |
|  | 2015                 | 2014   | 2015                 | 2014 |
| <b>Short-term loans from related parties</b>           |                      |        |                      |      |
| Key management personnel                               | 25,573               | 25,573 | -                    | -    |
| <b>Other non-current liabilities - related parties</b> |                      |        |                      |      |
| Related companies                                      | -                    | -      | 824                  | 492  |

Short-term loans to related parties

As at 31 December 2015, the balance of short-term loans between the Company and the related parties and the movement during the year 2015, are as follows:

| (Unit: Thousand Baht) |                  |                               |          |           |               |
|-----------------------|------------------|-------------------------------|----------|-----------|---------------|
|                       | Interest rate    | Separate financial statements |          |           |               |
|                       |                  | Balance as at                 |          |           | Balance as at |
|                       |                  | 1 January                     | Increase | Decrease  | 31 December   |
| Short-term loans      | per annum        | 2015                          |          |           | 2015          |
| <b>Subsidiaries</b>   |                  |                               |          |           |               |
| Winner Man Co., Ltd.  | 3.73%, 3.63% and |                               |          |           |               |
|                       | 3.50%            | -                             | 158,550  | (158,550) | -             |
| MC Jeanious Co., Ltd. | 3.50%            | -                             | 30,000   | (30,000)  | -             |
|                       |                  | -                             | 188,550  | (188,550) | -             |

Long-term loans to related party

As at 31 December 2015, the balance of long-term loans between the Company and the related party and the movement during the year 2015, are as follows:

|                                       |                           | (Unit: Thousand Baht)              |          |          |                                      |
|---------------------------------------|---------------------------|------------------------------------|----------|----------|--------------------------------------|
|                                       |                           | Separate financial statements      |          |          |                                      |
|                                       | Interest rate             | Balance as at<br>1 January<br>2015 |          |          | Balance as at<br>31 December<br>2015 |
| Long-term loans                       | per annum                 |                                    | Increase | Decrease |                                      |
| <b>Subsidiary</b>                     |                           |                                    |          |          |                                      |
| WoWme Limited                         | 3.73%, 3.63% and<br>3.50% | 23,003                             | 3,255    | -        | 26,258                               |
| Less: Allowance for doubtful accounts |                           | (23,003)                           | (3,255)  | -        | (26,258)                             |
| Long-term loans to related party, net |                           | -                                  | -        | -        | -                                    |

Short-term loans from related parties

As at 31 December 2015, the balance of short-term loans between the Company and those related parties and the movement during the year 2015 are as follows:

|   |                            | (Unit: Thousand Baht)              |          |          |                                      |
|---|----------------------------|------------------------------------|----------|----------|--------------------------------------|
|   |                            | Consolidated financial statements  |          |          |                                      |
| Short-term loans                            | Interest rate<br>per annum | Balance as at<br>1 January<br>2015 | Increase | Decrease | Balance as at<br>31 December<br>2015 |
|   |                            |                                    |          |          |                                      |
| Key management personnel                    | 4%                         | 25,573                             | -        | -        | 25,573                               |
| Total short-term loans from related parties |                            | 25,573                             | -        | -        | 25,573                               |

## Significant agreements with related parties

As at 31 December 2015, the Group has significant agreements with related parties as follows:

### **Building rental and service agreements**

On 1 November 2013, the indirect subsidiary has entered into building rental and services agreements with a related company. 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 was totaling 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 party (ceased being a related party since July 2014). The agreements have a period of 10 years and are renewable for 2 successive periods of 10 years each. Under these agreements, only such two subsidiaries have the right to cancel these agreements without a cancellation fee.

On 4 July 2014, a related company has conveyed the partial right on land and building which the subsidiary had entered into rental agreements to another related company (ceased being a related party since September 2015). After the conveyance has completed, the substances under the rental agreement are remain the same. The rental rate since 1 January 2015 was totaling Baht 1.7 million per annum.

### **Service agreements**

On 1 September 2012, a subsidiary has entered into service agreement for its utilities and facilities with related party (ceased being a related party since July 2014). 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.

On 4 July 2014, a related company has conveyed the partial right on land and building which the subsidiary has entered into rental agreements to another related company (ceased being a related party since September 2015). The related company provides services in land and building. After the conveyance has completed, the services

provider has changed, the substances under the service agreement are remaining the same. The services fee since 1 January 2015 was totaling Baht 1.2 million per annum.

#### **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 agrees to change the condition by giving written notice 30 days in advance.

#### **Office rental and services agreements**

On 1 October 2012, the Company has entered into office rental and service agreement with a related company in the rental and service rate from 1 January 2015 to 30 September 2015 is Baht 0.9 million. Under these agreements, only the Company has the right to cancel this agreement without a cancellation fee.

On 1 October 2014, the Company has entered into an office rental and service agreement with a related company at the total rental and service 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.

On 1 March 2015, the Company has entered into office rental and service agreement with a related company in the rental and service rate from 1 October 2015 to 30 September 2025 is Baht 1 million per annum. The term of this agreement has a period of 10 years. Under these agreements, only the Company has the right to cancel this agreement without a cancellation fee.

On 15 May 2015, the Company has entered into office rental and service agreement with a related company in the rental and service rate from 1 July 2015 to 30 June 2018 is Baht 1.9 million per annum. The term of this agreement has a period of 3 years. Under these agreements, only the Company has the right to cancel this agreement without a cancellation fee.

On 1 October 2015, the Company has entered into parking space rental agreement with a related company in the rental and service rate from 1 October 2015 to 30 September 2024 is Baht 0.6 million per annum. The term of this agreement has a period of 9 years. Under these agreements, 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 staffs 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 the indirect 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 for the year 2015 at amount of Baht 4.5 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.

On 20 August 2015, the Company has entered into management services agreements with the joint venture whereby the Company will provide service relating to sales, distribution of product, storage of product and marketing and advertising. The Company and joint venture agreed that within 3 years after the effective date of this agreement both side shall have no right to cancel this agreement except both side are agree and made the written cancellation document.

Future agreements with related parties

The subsidiaries have entered into rental agreements with the related companies as follows:

| Lease assets       | Objective | Lessor           | Lessee     | Period   | Rental fee<br>per annum | The assets transferred<br>date  |
|--------------------|-----------|------------------|------------|----------|-------------------------|---|
| 1. P.K.3 Extension | Warehouse | Related<br>party | Subsidiary | 10 years | Baht 2.1<br>million     | Within July 2014<br>however, as at 31<br>December 2015<br>the Group has not<br>been transferred<br>such assets yet. |
| Lease assets       | Objective | Lessor           | Lessee     | Period   | Rental fee<br>per annum | The assets transferred<br>date  |

|                               |                              |                  |            |          |                     |  |
|-------------------------------|------------------------------|------------------|------------|----------|---------------------|--|
| 2. PK Bangpakong<br>Extension | Manufacturing<br>of clothing | Related<br>party | Subsidiary | 10 years | Baht 5.1<br>million | Within February<br>2015 however, as<br>at 31 December<br>2015 the Group<br>has not been<br>transferred such<br>assets yet. |
|-------------------------------|------------------------------|------------------|------------|----------|---------------------|--|

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

7. Cash and cash equivalents

|                                  | (Unit: Thousand Baht) |         |                     |         |
|----------------------------------|-----------------------|---------|---------------------|---------|
|                                  | Consolidated          |         | Separate            |         |
|                                  | financial statement   |         | financial statement |         |
|                                  | 2015                  | 2014    | 2015                | 2014    |
| Cash                             | 20,557                | 13,246  | 19,644              | 12,526  |
| Bank deposits - current accounts | 475,603               | 141,132 | 461,180             | 129,821 |
| Bank deposits - saving accounts  | 26                    | 26      | -                   | -       |
| Total                            | 496,186               | 154,404 | 480,824             | 142,347 |

As at 31 December 2015, bank deposits in current accounts and saving accounts carried interests between 0.00 and 1.80 percent per annum (2014: between 0.00 and 2.00 percent per annum).



8. Short-term investments

|  | (Unit: Thousand Baht) |           |                     |           |
|--|-----------------------|-----------|---------------------|-----------|
|  | Consolidated          |           | Separate            |           |
|  | financial statement   |           | financial statement |           |
|  | 2015                  | 2014      | 2015                | 2014      |
| Short-term deposits at financial institutions    | 100,000               | 1,000,000 | 100,000             | 1,000,000 |
| Equity securities held for trading - Unit trusts | 280,421               | 544,480   | 280,174             | 544,219   |
| Total  | 380,421               | 1,544,480 | 380,174             | 1,544,219 |

Movements during the years ended 31 December 2015 and 2014 of marketable equity were as follows.

|                           | (Unit: Thousand Baht) |             |                     |             |
|---------------------------|-----------------------|-------------|---------------------|-------------|
|                           | Consolidated          |             | Separate            |             |
|                           | financial statement   |             | financial statement |             |
|                           | 2015                  | 2014        | 2015                | 2014        |
| <u>Trading securities</u> |                       |             |                     |             |
| At 1 January              | 544,480               | 24,487      | 544,219             | 24,275      |
| Purchases during the year | 790,000               | 1,578,169   | 790,000             | 1,578,170   |
| Sales during the year     | (1,048,431)           | (1,063,983) | (1,048,431)         | (1,063,983) |
| Valuation adjustment      | (5,628)               | 5,807       | (5,614)             | 5,757       |
| At 31 December            | 280,421               | 544,480     | 280,174             | 544,219     |

9. Trade and other receivables

|  | (Unit: Thousand Baht) |          |                      |          |
|--|-----------------------|----------|----------------------|----------|
|  | Consolidated          |          | Separate             |          |
|  | financial statements  |          | financial statements |          |
|  | 2015                  | 2014     | 2015                 | 2014     |
| <b><u>Trade receivables - related parties (Note 6)</u></b> |                       |          |                      |          |
| Aged on the basis of due dates                             |                       |          |                      |          |
| Not yet due  | -                     | 326      | 527                  | 6        |
| Past due   |                       |          |                      |          |
| Less than 3 months   | 761                   | 675      | 297                  | 100      |
| 3 - 6 months   | -                     | 843      | 124                  | -        |
| 6 - 12 months  | -                     | 804      | 13                   | -        |
| Over 12 months   | -                     | -        | 17                   | 5        |
| Total trade receivables                                    |                       |          |                      |          |
| - related parties  | 761                   | 2,648    | 978                  | 111      |
| <b><u>Trade receivables - unrelated parties</u></b>        |                       |          |                      |          |
| Aged on the basis of due dates                             |                       |          |                      |          |
| Not yet due  | 542,282               | 507,500  | 474,922              | 438,923  |
| Past due   |                       |          |                      |          |
| Less than 3 months   | 173,272               | 147,324  | 169,632              | 130,232  |
| 3 - 6 months   | 21,548                | 10,145   | 21,238               | 10,037   |
| 6 - 12 months  | 7,258                 | 4,274    | 7,185                | 4,240    |
| Over 12 months   | 8,504                 | 7,764    | 3,369                | 2,263    |
| Total  | 752,864               | 677,007  | 676,346              | 585,695  |
| Less: Provision for sales return                           | (35,563)              | (35,563) | (35,563)             | (35,563) |
| Allowance for doubtful accounts                            | (15,957)              | (10,131) | (10,967)             | (5,102)  |
| Total trade receivables                                    |                       |          |                      |          |
| - unrelated parties, net                                   | 701,344               | 631,313  | 629,816              | 545,030  |
| Total trade receivables, net                               | 702,105               | 633,961  | 630,794              | 545,141  |
| <b><u>Other receivables</u></b>                            |                       |          |                      |          |
| Amount due from related parties (Note 6)                   |                       |          |                      |          |
| 6)   | 4,809                 | -        | 47,688               | 38,468   |
| Interest receivables - unrelated parties                   | 121                   | 13,935   | 121                  | 13,935   |
| Dividend receivables (Note 6)                              | -                     | -        | 187,498              | 303,746  |
| Total other receivables                                    | 4,930                 | 13,935   | 235,307              | 356,149  |
| Trade and other receivables, net                           | 707,035               | 647,896  | 866,101              | 901,290  |

10. Inventories

(Unit: Thousand Baht)

| Consolidated financial statements |           |           |          |                 |           |           |
|-----------------------------------|-----------|-----------|----------|-----------------|-----------|-----------|
| Reduce cost to net realisable     |           |           |          |                 |           |           |
| Cost                              |           | value     |          | Inventories-net |           |           |
|                                   | 2015      | 2014      | 2015     | 2014            | 2015      | 2014      |
| Finished goods                    | 2,163,590 | 1,332,059 | (47,011) | (27,444)        | 2,116,579 | 1,304,615 |
| Work in process                   | 83,150    | 79,703    | -        | -               | 83,150    | 79,703    |
| Goods in transit                  | 16,040    | 36,835    | -        | -               | 16,040    | 36,835    |
| Raw materials                     | 104,867   | 120,867   | (4,658)  | (5,838)         | 100,209   | 115,029   |
| Total                             | 2,367,647 | 1,569,464 | (51,669) | (33,282)        | 2,315,978 | 1,536,182 |

(Unit: Thousand Baht)

| Separate financial statements |           |           |          |                 |           |           |
|-------------------------------|-----------|-----------|----------|-----------------|-----------|-----------|
| Reduce cost to net realisable |           |           |          |                 |           |           |
| Cost                          |           | value     |          | Inventories-net |           |           |
|                               | 2015      | 2014      | 2015     | 2014            | 2015      | 2014      |
| Finished goods                | 2,406,111 | 1,262,785 | (74,806) | (48,486)        | 2,331,305 | 1,214,299 |
| Work in process               | 429       | 429       | -        | -               | 429       | 429       |
| Raw materials                 | -         | 3,769     | -        | -               | -         | 3,769     |
| Total                         | 2,406,540 | 1,266,983 | (74,806) | (48,486)        | 2,331,734 | 1,218,497 |

During the year 2015, the Company and its subsidiaries reduced cost of inventories by Baht 18 million (The Company only: Baht 26 million), to reflect the net realisable value. This was included in cost of sales. In addition during the year 2014, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 24 million (2014: Baht 1 million), and reduced the amount of inventories recognised as expenses during the year.

11. Other current assets

(Unit: Thousand Baht)

|  | Consolidated        |        | Separate            |        |
|--|---------------------|--------|---------------------|--------|
|  | financial statement |        | financial statement |        |
|  | 2015                | 2014   | 2015                | 2014   |
| Other receivables - revenue department | 82,560              | 33,975 | 32,144              | 4,133  |
| Prepaid expenses                       | 22,064              | 20,125 | 7,998               | 9,338  |
| Advance to suppliers                   | 8,980               | 3,072  | 8,930               | 2,943  |
| Input VAT suspense                     | 3,592               | 2,844  | 2,782               | 1,581  |
| Advance to employees                   | 2,198               | 2,090  | 2,050               | 1,770  |
| Others                                 | 9,125               | 7,025  | 4,152               | 3,294  |
| Total                                  | 128,519             | 69,131 | 58,056              | 23,059 |

12. Investments in subsidiaries

Details of investments in subsidiaries as presented in the separate financial statements are as follows:

| (Unit: Thousand Baht)                   |                 |         |                         |        |         |         |                                   |         |
|---|-----------------|---------|-------------------------|--------|---------|---------|-----------------------------------|---------|
| Company's name                          | Paid-up capital |         | Shareholding percentage |        | Cost    |         | Dividend received during the year |         |
|   | 2015            | 2014    | 2015                    | 2014   | 2015    | 2014    | 2015                              | 2014    |
|   |                 |         | (%)                     | (%)    |         |         |                                   |         |
| P.K.Garment (Import-Export) Co., Ltd.   | 250,000         | 250,000 | 99.99                   | 99.99  | 249,996 | 249,996 | 587,493                           | 657,492 |
| Mc Jeans Manufacturing Co., Ltd.        | 1,000           | 1,000   | 99.97                   | 99.97  | 1,000   | 1,000   | -                                 | -       |
| Winner Man Co., Ltd.                    | 1,000           | 1,000   | 99.97                   | 99.97  | 1,000   | 1,000   | -                                 | -       |
| WoWme Limited                           | 1,000           | 1,000   | 99.97                   | 99.97  | 1,000   | 1,000   | -                                 | -       |
| MC INTER LIMITED*                       | HKD 1           | HKD 1   | 100.00                  | 100.00 | -       | -       | -                                 | -       |
| Look Balance Co., Ltd.                  | 213,000         | 213,000 | 99.98                   | 99.97  | 212,957 | 212,936 | -                                 | -       |
| MC Jeanious Co., Ltd.                   | 16,000          | -       | 99.99                   | -      | 16,000  | -       | -                                 | -       |
| Total                                   |                 |         |                         |        | 481,953 | 465,932 | 587,493                           | 657,492 |
| Less: Allowance for impairment          |                 |         |                         |        | (1,000) | (1,000) | -                                 | -       |
| Total investments in subsidiaries - net |                 |         |                         |        | 480,953 | 464,932 | 587,493                           | 657,492 |

\* Its financial statement is prepared by the management of the subsidiary and has not yet been audited by its auditor.

13. Investments in joint venture

13.1 Details of joint venture:

Investments in joint venture represent investment in entity which are jointly controlled by its subsidiary and other company. Details of these investments are as follows:

| Joint venture        | Nature of business           | Country of incorporation | Consolidated financial statements |      |                 |                 |   |                 |
|----------------------|------------------------------|--------------------------|-----------------------------------|------|-----------------|-----------------|---|-----------------|
|                      |                              |                          | Percentage of investment          |      | Cost            |                 | Carrying amounts based on the equity method |                 |
|                      |                              |                          | 2015                              | 2014 | 2015            | 2014            | 2015  | 2014            |
|                      |                              |                          | (%)                               | (%)  | (Thousand Baht) | (Thousand Baht) | (Thousand Baht)                             | (Thousand Baht) |
| TOP-T 2015 Co., Ltd. | Trade and product management | Thailand                 | 51.00                             | -    | 15,300          | -               | 31,860                                      | -               |

On 18 September 2015, MC Jeanious Company Limited, the subsidiary, purchased the 0.15 million ordinary shares of TOP-T 2015 Company Limited at par value of Baht 100 each, accounting for 51.00% of total shares of this company. The investments are treated as the investments in joint venture since this company is jointly controlled by the subsidiary and another shareholder.

13.2 Share of comprehensive income and dividend received

During the year, the Company recognised its share of comprehensive income from investments in the joint venture in the consolidated financial statements as follows:

| (Thousand Baht :Unit) |   |      |   |      |
|-----------------------|---|------|---|------|
| Joint venture         | Consolidated financial statements                                 |      |   |      |
|                       | Share of profit from investments in joint venture during the year |      | Share of other comprehensive income from investments in joint venture during the year |      |
|                       | 2015  | 2014 | 2015  | 2014 |
|                       | 6,769   | -    | -   | -    |

During the years, the subsidiary did not receive dividend from joint venture.

13.3 Summarised financial information about material joint ventures

Summarised information about financial position

|   |  | (Thousand Baht :Unit) |      |
|---|--|-----------------------|------|
|   |  | TOP-T 2015 Co., Ltd.  |      |
|   |  | 2015                  | 2014 |
| Cash and cash equivalent  |  | 20,602                | -    |
| Trade accounts receivable   |  | 64,274                | -    |
| Inventories   |  | 9,877                 | -    |
| Other current assets  |  | 2,038                 | -    |
| Other non-current assets  |  | 10                    | -    |
| Trade accounts payable  |  | (25,548)              | -    |
| Other current liabilities   |  | (8,773)               | -    |
| Other non-current liabilities                                       |  | (48)                  | -    |
| <b>Net assets</b>   |  | <b>62,432</b>         | -    |
| Shareholding percentage (%)   |  | 51%                   | -    |
| <b>Share of net assets</b>  |  | <b>31,840</b>         | -    |
| Elimination entries   |  | 20                    | -    |
| <b>Carrying amounts of joint venture based on the equity method</b> |  | <b>31,860</b>         | -    |

Summarised information about comprehensive income

|                                     |  | (Unit: Thousand Baht)          |      |
|-------------------------------------|--|--------------------------------|------|
|                                     |  | For the year ended 31 December |      |
|                                     |  | TOP-T 2015 Co., Ltd.           |      |
|                                     |  | 2015                           | 2014 |
| Revenue                             |  | 82,531                         | -    |
| Cost of sales                       |  | (33,226)                       | -    |
| Selling and administrative expenses |  | (8,765)                        | -    |
| Income tax expenses                 |  | (8,108)                        | -    |
| Profit                              |  | 32,432                         | -    |
| Other comprehensive income          |  | -                              | -    |
| Total comprehensive income          |  | 32,432                         | -    |

14. Property, plant and equipment

(Unit: Thousand Baht)

|   | Consolidated financial statements |   |                            |   |                   |  |           |
|---|-----------------------------------|---|----------------------------|---|-------------------|--|-----------|
|   | Land and<br>improvement           | Buildings<br>and<br>building<br>improvement | Machinery and<br>equipment | Furniture,<br>fixtures<br>and office<br>equipment | Motor<br>vehicles | Assets<br>under<br>installation<br>and under<br>construction | Total     |
| <b>Cost:</b>  |                                   |   |                            |   |                   |  |           |
| 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)  |
| 31 December 2014  | 22,161                            | 413,669                                     | 285,622                    | 217,033   | 103,826           | 98,949   | 1,141,260 |
| Additions   | 29,927                            | 11,960                                      | 4,262                      | 23,525  | 91                | 80,659   | 150,424   |
| Disposals   | -                                 | (4,568)                                     | (2,693)                    | (12,767)  | (10,209)          | -  | (30,237)  |
| Transfers   | -                                 | 119,051                                     | 39,975                     | 13,164  | 2,168             | (174,358)  | -         |
| 31 December 2015  | 52,088                            | 540,112                                     | 327,166                    | 240,955   | 95,876            | 5,250  | 1,261,447 |
| <b>Accumulated depreciation:</b>  |                                   |   |                            |   |                   |  |           |
| 1 January 2014  | -                                 | 227,928                                     | 200,075                    | 118,851   | 42,876            | -  | 589,730   |
| Depreciation for the year   | 249                               | 51,721                                      | 24,569                     | 32,635  | 14,114            | -  | 123,288   |
| Depreciation on disposals   | -                                 | (12,924)                                    | (81)                       | (3,078)   | (3,256)           | -  | (19,339)  |
| 31 December 2014  | 249                               | 266,725                                     | 224,563                    | 148,408   | 53,734            | -  | 693,679   |
| Depreciation for the year   | 494                               | 76,104                                      | 26,886                     | 33,174  | 10,062            | -  | 146,720   |
| Depreciation on disposals   | -                                 | (4,569)                                     | (2,370)                    | (12,728)  | (4,530)           | -  | (24,197)  |
| 31 December 2015  | 743                               | 338,260                                     | 249,079                    | 168,854   | 59,266            | -  | 816,202   |
| <b>Net book value:</b>  |                                   |   |                            |   |                   |  |           |
| 31 December 2014  | 21,912                            | 146,944                                     | 61,059                     | 68,625  | 50,092            | 98,949   | 447,581   |
| 31 December 2015  | 51,345                            | 201,852                                     | 78,087                     | 72,101  | 36,610            | 5,250  | 445,245   |
| <b>Depreciation for the years</b>   |                                   |   |                            |   |                   |  |           |
| 2014 (Baht 29 million included in manufacturing cost, and the balance in selling and administrative expenses) |                                   |   |                            |   |                   |  | 123,288   |
| 2015 (Baht 31 million included in manufacturing cost, and the balance in selling and administrative expenses) |                                   |   |                            |   |                   |  | 146,720   |



(Unit: Thousand Baht)

## Separate financial statements

|   | Land and<br>improvement | Buildings<br>and building<br>improvement | Machinery and<br>equipment | Furniture,<br>fixtures and<br>office<br>equipment | Motor<br>vehicles | Assets<br>under<br>installation<br>and under<br>construction | Total   |
|---|-------------------------|--|----------------------------|---|-------------------|--|---------|
| <b>Cost:</b>  |                         |  |                            |   |                   |  |         |
| 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) |
| 31 December 2014  | 5,129                   | 169,669                                  | 11,409                     | 80,410  | 61,233            | 97,406   | 425,256 |
| Additions   | 29,927                  | 11,629                                   | 2,590                      | 18,087  | 92                | 75,534   | 137,859 |
| Disposals   | -                       | (711)                                    | (100)                      | (42)  | (2,344)           | -  | (3,197) |
| Transfers   | -                       | 117,280                                  | 39,507                     | 9,856   | 2,168             | (168,811)  | -       |
| 31 December 2015  | 35,056                  | 297,867                                  | 53,406                     | 108,311   | 61,149            | 4,129  | 559,918 |
| <b>Accumulated depreciation:</b>  |                         |  |                            |   |                   |  |         |
| 1 January 2014  | -                       | 15,078                                   | 524                        | 13,293  | 10,581            | -  | 39,476  |
| Depreciation for the year   | 249                     | 39,048                                   | 1,160                      | 19,448  | 10,416            | -  | 70,321  |
| Depreciation on disposals   | -                       | -  | -                          | -   | (901)             | -  | (901)   |
| 31 December 2014  | 249                     | 54,126                                   | 1,684                      | 32,741  | 20,096            | -  | 108,896 |
| Depreciation for the year   | 494                     | 68,789                                   | 5,476                      | 24,173  | 10,929            | -  | 109,861 |
| Depreciation on disposals   | -                       | (581)                                    | (5)                        | (39)  | (1,290)           | -  | (1,915) |
| 31 December 2015  | 743                     | 122,334                                  | 7,155                      | 56,875  | 29,735            | -  | 216,842 |
| <b>Net book value:</b>  |                         |  |                            |   |                   |  |         |
| 31 December 2014  | 4,880                   | 115,543                                  | 9,725                      | 47,669  | 41,137            | 97,406   | 316,360 |
| 31 December 2015  | 34,313                  | 175,533                                  | 46,251                     | 51,436  | 31,414            | 4,129  | 343,076 |
| <b>Depreciation for the years</b>   |                         |  |                            |   |                   |  |         |
| 2014 (Total balance of depreciation is recognised in selling and administrative expenses) |                         |  |                            |   |                   |  | 70,321  |
| 2015 (Total balance of depreciation is recognised in selling and administrative expenses) |                         |  |                            |   |                   |  | 109,861 |

As at 31 December 2015, the Company and its subsidiaries had vehicles with net book value of Baht 3 million (2014: Baht 4 million) which were acquired under finance lease agreements.

As at 31 December 2015, certain items of plant and equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 358 million (2014: Baht 333 million) (The Company only: Baht 39 million, 2014: Baht 6 million).

15. Intangible assets

The net book value of intangible assets as at 31 December 2015 and 2014 is presented below.

(Unit: Thousand Baht)

|   | Consolidated financial statements |                             |                 |         | Separate financial statements |                             |                 |         |
|---|-----------------------------------|-----------------------------|-----------------|---------|-------------------------------|-----------------------------|-----------------|---------|
|   | Computer software                 | Computer under installation | Leasehold right | Total   | Computer software             | Computer under installation | Leasehold right | Total   |
| As at 31 December 2015                        |                                   |                             |                 |         |                               |                             |                 |         |
| Cost  | 45,579                            | 200,402                     | 688             | 246,669 | 24,617                        | 200,402                     | 385             | 225,404 |
| <u>Less</u> Accumulated amortisation          | 27,425                            | -                           | 557             | 27,982  | 10,801                        | -                           | 254             | 11,055  |
| <u>Less</u> Allowance for diminution in value | 5,378                             | -                           | -               | 5,378   | 2,194                         | -                           | -               | 2,194   |
| Net book value                                | 12,776                            | 200,402                     | 131             | 213,309 | 11,622                        | 200,402                     | 131             | 212,155 |
| As at 31 December 2014                        |                                   |                             |                 |         |                               |                             |                 |         |
| Cost  | 39,614                            | 105,470                     | 688             | 145,772 | 18,652                        | 105,470                     | 385             | 124,507 |
| <u>Less</u> Accumulated amortisation          | 19,097                            | -                           | 481             | 19,578  | 6,281                         | -                           | 178             | 6,459   |
| <u>Less</u> Allowance for diminution in value | 11,140                            | -                           | -               | 11,140  | 7,347                         | -                           | -               | 7,347   |
| Net book value                                | 9,377                             | 105,470                     | 207             | 115,054 | 5,024                         | 105,470                     | 207             | 110,701 |

A reconciliation of the net book value of intangible assets for the years 2015 and 2014 is presented below.

(Unit: Thousand Baht)

|                                     | Consolidated financial statements |         | Separate financial statements |         |
|-------------------------------------|-----------------------------------|---------|-------------------------------|---------|
|                                     | 2015                              | 2014    | 2015                          | 2014    |
| Net book value at beginning of year | 115,054                           | 10,429  | 110,701                       | 6,662   |
| Acquisition of computer software    | 100,897                           | 109,462 | 100,897                       | 107,643 |
| Amortisation                        | (8,404)                           | (7,294) | (4,596)                       | (3,604) |
| Reversal of impairment loss         | 5,762                             | 2,457   | 5,153                         | -       |
| Net book value at end of year       | 213,309                           | 115,054 | 212,155                       | 110,701 |

**16. Bank overdrafts and short-term loans from financial institutions**

|   | Interest rate<br>(percent per annum) | Consolidated financial |         | (Unit: Thousand Baht) |      |
|---|--------------------------------------|------------------------|---------|-----------------------|------|
|   |                                      | statements             |         | Separate              |      |
|   |                                      | 2015                   | 2014    | 2015                  | 2014 |
| Bank overdrafts                                 | MOR-1.00%                            | 5,958                  | 43,561  | -                     | -    |
| Short-term loans from<br>financial institutions | 2.83%                                | 50,000                 | 26,490  | -                     | -    |
| Trust receipts                                  | 2.20% - 2.35%                        | 101,936                | 85,367  | -                     | -    |
| Total   |                                      | 157,894                | 155,418 | -                     | -    |

Bank overdrafts and short-term loans from financial institutions are secured by the shareholders in proportion to the shareholding.

**17. Trade and other payables**

|   | Consolidated         |         | (Unit: Thousand Baht) |         |
|---|----------------------|---------|-----------------------|---------|
|   | financial statements |         | Separate              |         |
|   | 2015                 | 2014    | 2015                  | 2014    |
| Trade payables - related parties (Note 6) | 59,947               | 7,245   | 719,823               | 563,283 |
| Trade payables - unrelated parties        | 494,224              | 484,068 | 313,819               | 215,486 |
| Accrued expenses                          | 139,960              | 103,493 | 120,425               | 75,531  |
| Other payables - related parties (Note 6) | 451                  | 2,620   | 73,314                | 21,624  |
| Other payables - unrelated parties        | 42,096               | 35,894  | 29,650                | 24,480  |
| Total trade and other payables            | 736,678              | 633,320 | 1,257,031             | 900,404 |

**18. Liabilities under finance lease agreements**

|   | (Unit: Thousand Baht) |         |
|---|-----------------------|---------|
|   | Consolidated          |         |
|   | 2015                  | 2014    |
| Liabilities under finance lease agreements                          | 512                   | 5,021   |
| Less: Deferred interest expenses                                    | (37)                  | (468)   |
| Total   | 475                   | 4,553   |
| Less: Portion due within one year                                   | (146)                 | (1,096) |
| Liabilities under finance lease agreements - net of current portion | 329                   | 3,457   |

The subsidiary has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 6 years.

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

| As at 31 December 2015                         |                  |           |       |
|--|------------------|-----------|-------|
|  | Less than 1 year | 1-5 years | Total |
|  |                  |           |       |
| Future minimum lease payments                  | 166              | 346       | 512   |
| Deferred interest expenses                     | (20)             | (17)      | (37)  |
| Present value of future minimum lease payments | 146              | 329       | 475   |

(Unit: Thousand Baht)

| As at 31 December 2014                         |                  |           |       |
|--|------------------|-----------|-------|
|  | Less than 1 year | 1-5 years | Total |
|  |                  |           |       |
| Future minimum lease payments                  | 1,271            | 3,750     | 5,021 |
| Deferred interest expenses                     | (175)            | (293)     | (468) |
| Present value of future minimum lease payments | 1,096            | 3,457     | 4,553 |

**19. Provision for long-term employee benefits**

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

|   |                      |               | (Unit: Thousand Baht) |               |
|---|----------------------|---------------|-----------------------|---------------|
|   | Consolidated         |               | Separate              |               |
|   | financial statements |               | financial statements  |               |
|   | 2015                 | 2014          | 2015                  | 2014          |
| <b>Provision for long-term employee benefits at beginning of year</b> | 40,658               | 39,204        | 21,060                | 18,812        |
| Included in profit or loss:   |                      |               |                       |               |
| Current service cost  | 10,166               | 6,781         | 4,737                 | 3,702         |
| Interest cost   | 1,981                | 1,299         | 1,026                 | 700           |
| Included in other comprehensive income:                               |                      |               |                       |               |
| Actuarial (gain) loss arising from                                    |                      |               |                       |               |
| Demographic assumptions changes                                       | (13,570)             | -             | (2,731)               | -             |
| Financial assumptions changes   | 6,708                | -             | 1,376                 | -             |
| Experience adjustments  | (962)                | -             | (197)                 | -             |
| Benefits paid during the year   | (3,483)              | (6,626)       | (2,718)               | (2,154)       |
| <b>Provision for long-term employee benefits at end of year</b>       | <u>41,498</u>        | <u>40,658</u> | <u>22,553</u>         | <u>21,060</u> |

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

|   |                      |              | (Unit: Thousand Baht) |              |
|---|----------------------|--------------|-----------------------|--------------|
|   | Consolidated         |              | Separate              |              |
|   | financial statements |              | financial statements  |              |
|   | 2015                 | 2014         | 2015                  | 2014         |
| Cost of sales                               | 1,924                | 1,884        | -                     | -            |
| Selling and administrative expenses         | 10,181               | 6,196        | 5,763                 | 4,402        |
| Total expenses recognised in profit or loss | <u>12,105</u>        | <u>8,080</u> | <u>5,763</u>          | <u>4,402</u> |

The Company and its subsidiaries expect to pay Baht 1 million of long-term employee benefits during the next year (The Company only: Baht 1 million) (2014: Baht 3 million, The Company only: Baht 3 million).

As at 31 December 2015, the weighted average duration of the liabilities for long-term employee benefit is 27 years (The Company only: 27 years) (2014: 28 years, The Company only: 28 years).

Significant actuarial assumptions are summarised below:

|                      | (Unit: Percent per annum) |              |                      |              |
|----------------------|---------------------------|--------------|----------------------|--------------|
|                      | Consolidated              |              | Separate             |              |
|                      | financial statements      |              | financial statements |              |
|                      | 2015                      | 2014         | 2015                 | 2014         |
| Discount rate        | 2.6%                      | 3.7%         | 2.6%                 | 3.6%         |
| Salary increase rate | 5.0%                      | 5.0%         | 5.0%                 | 5.0%         |
| Turnover rate        | 0.0% - 64.0%              | 2.0% - 57.0% | 0.0% - 64.0%         | 2.0% - 57.0% |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2015 are summarised below:

|                      | (Unit: Million Baht) |             |                      |             |
|----------------------|----------------------|-------------|----------------------|-------------|
|                      | Consolidated         |             | Separate             |             |
|                      | financial statements |             | financial statements |             |
|                      | Increase 1%          | Decrease 1% | Increase 1%          | Decrease 1% |
| Discount rate        | (3)                  | 3           | (2)                  | 2           |
| Salary increase rate | 4                    | (3)         | 2                    | (2)         |
| Turnover rate        | (4)                  | 3           | (2)                  | 2           |

**20. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

**21. Expenses by nature**

Significant expenses classified by nature are as follows:

|   | Consolidated         |           | (Unit: Thousand Baht) |           |
|---|----------------------|-----------|-----------------------|-----------|
|   | financial statements |           | Separate              |           |
|   | 2015                 | 2014      | 2015                  | 2014      |
| Salaries and wages and other employee benefits      | 871,736              | 844,500   | 248,646               | 173,567   |
| Depreciation and amortisation                       | 155,125              | 130,582   | 114,457               | 73,925    |
| Reversal of loss on impairment of intangible assets | (5,762)              | (2,457)   | (5,153)               | -         |
| Raw materials and consumables used                  | 2,154,585            | 1,250,944 | -                     | -         |
| Changes in finished goods and work in progress      | (834,978)            | (136,424) | 1,143,326             | 1,864,287 |
| Staff outsourcing services fees                     | -                    | 41,606    | -                     | -         |
| Advertising expenses                                | 16,556               | 40,735    | 39,460                | 30,193    |
| Personnel services fees                             | -                    | 88        | 353,922               | 275,540   |
| Professional fees                                   | 28,931               | 22,768    | 21,832                | 14,861    |
| Rental and service expenses                         | 407,750              | 316,783   | 369,804               | 287,156   |
| Bad and doubtful debts expenses                     | 5,826                | 3,642     | 5,865                 | 28,640    |



22. Income tax

22.1 Deferred tax assets

The components of deferred tax assets are as follows:

|  | Consolidated         |                | (Unit: Thousand Baht) |               |
|--|----------------------|----------------|-----------------------|---------------|
|  | financial statements |                | Separate              |               |
|  | 2015                 | 2014           | 2015                  | 2014          |
| <b>Deferred tax assets</b>                                     |                      |                |                       |               |
| Provision for sales return and allowance for doubtful accounts | 10,304               | 9,139          | 9,306                 | 8,132         |
| Inventories  | 64,825               | 38,115         | 14,961                | 9,697         |
| Allowance for impairment of assets                             | 1,209                | 2,362          | 1,469                 | 439           |
| Property, plant and equipment                                  | 9,765                | 7,796          | -                     | -             |
| Unrealised loss from trading investments                       | 35                   | -              | -                     | -             |
| Provision for long-term employee benefits                      | 2,827                | 2,958          | 2,076                 | 1,468         |
| Consignment inventories  | 60,019               | 60,886         | 63,492                | 48,351        |
| Unused tax losses  | 5,916                | 8,111          | -                     | -             |
| Total  | 154,900              | 129,367        | 91,304                | 68,087        |
| <b>Deferred tax assets, net</b>                                | <b>154,900</b>       | <b>129,367</b> | <b>91,304</b>         | <b>68,087</b> |

As at 31 December 2015, the subsidiary has deductible temporary differences and unused tax losses totaling Baht 26 million (2014: Baht 42 million), on which deferred tax assets have not been recognised as the subsidiary believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses of its subsidiary amounting to Baht 4 million will expire by 2019.

22.2 Income tax expenses

Income tax expenses for the years ended 31 December 2015 and 2014 are made up as follows:

|  | (Unit: Thousand Baht) |               |                      |               |
|--|-----------------------|---------------|----------------------|---------------|
|  | Consolidated          |               | Separate             |               |
|  | financial statements  |               | financial statements |               |
|  | 2015                  | 2014          | 2015                 | 2014          |
| <b>Current income tax:</b>   |                       |               |                      |               |
| Current income tax charge  | 71,540                | 27,403        | 60,952               | 51,177        |
| <b>Deferred tax:</b>   |                       |               |                      |               |
| Relating to origination and reversal of temporary differences                | (24,685)              | 43,754        | (21,330)             | 626           |
| <b>Income tax expenses reported in the statement of comprehensive income</b> | <b>46,855</b>         | <b>71,157</b> | <b>39,622</b>        | <b>51,803</b> |

22.3 The amounts of income tax relating to each component of other comprehensive income

The amounts of I ncome tax relating to each component of other comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

|   | (Unit: Thousand Baht) |      |                      |      |
|---|-----------------------|------|----------------------|------|
|   | Consolidated          |      | Separate             |      |
|   | financial statements  |      | financial statements |      |
|   | 2015                  | 2014 | 2015                 | 2014 |
| Deferred tax relating to gains on actuarial | 1,599                 | -    | 311                  | -    |

The reconciliation between accounting profit and income tax expenses is shown below.

|   | (Unit: Thousand Baht) |          |                      |           |
|---|-----------------------|----------|----------------------|-----------|
|   | Consolidated          |          | Separate             |           |
|   | financial statements  |          | financial statements |           |
|   | 2015                  | 2014     | 2015                 | 2014      |
| Accounting profit before tax                  | 791,369               | 789,787  | 756,650              | 890,810   |
| Applicable tax rate                           | 0-20%                 | 0-20%    | 20%                  | 20%       |
| Accounting profit before tax multiplied by    |                       |          |                      |           |
| income tax rate                               | 158,274               | 159,757  | 151,330              | 178,162   |
| Effects of:                                   |                       |          |                      |           |
| Promotional privileges (Note 23)              | (151,393)             | (79,866) | -                    | -         |
| on-deductible expenses                        | 3,695                 | 920      | 3,718                | 5,360     |
| Additional expense deductions allowe          | (358)                 | -        | (124)                | (221)     |
| Tax exempted revenue                          | -                     | -        | (117,499)            | -         |
| Others  | 36,637                | (9,654)  | 2,197                | (131,498) |
| Total   | (111,419)             | (88,600) | (111,708)            | (126,359) |
| Income tax expenses reported in the statement |                       |          |                      |           |
| of comprehensive income                       | 46,855                | 71,157   | 39,622               | 51,803    |

23. Promotional privileges

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

- 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.
- 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.

The Company and its subsidiaries' operating revenues for the years ended 31 December 2015 and 2014, divided between promoted and non-promoted operations, are summarised below.

|                | (Unit: Thousand Baht) |      |                        |       |                     |         |       |       |
|----------------|-----------------------|------|------------------------|-------|---------------------|---------|-------|-------|
|                | Promoted operations   |      | on-promoted operations |       | Elimination entries |         | Total |       |
|                | 2015                  | 2014 | 2015                   | 2014  | 2015                | 2014    | 2015  | 2014  |
| Sales          |                       |      |                        |       |                     |         |       |       |
| Domestic sales | 1,310                 | 899  | 4,391                  | 3,849 | (1,806)             | (1,278) | 3,895 | 3,470 |
| Export sales   | -                     | -    | -                      | -     |                     |         | -     | -     |
| Total sales    | 1,310                 | 899  | 4,391                  | 3,849 | (1,806)             | (1,278) | 3,895 | 3,470 |

24. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

|  | Consolidated financial statements |             | Separate financial statements |             |
|--|-----------------------------------|-------------|-------------------------------|-------------|
|  | 2015                              | 2014        | 2015                          | 2014        |
| Profit attributable to equity holders of the Company for the year (Baht) | 732,016,271                       | 711,644,698 | 717,028,618                   | 839,007,225 |
| Weighted average number of ordinary shares (shares)                      | 800,000,000                       | 800,000,000 | 800,000,000                   | 800,000,000 |
| Earnings per share (Baht/share)  | 0.92                              | 0.89        | 0.90                          | 1.05        |

25. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Company’s Board of Directors.

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.

- Clothing and accessories
- Watches

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue and profit and total assets/total liabilities information regarding the Company’s and its subsidiaries’ operating segments for the years ended 31 December 2015 and 2014, respectively.

|   | (Unit: Million Baht)                 |       |                     |      |       |       |
|---|--------------------------------------|-------|---------------------|------|-------|-------|
|   | For the years ended 31 December      |       |                     |      |       |       |
|   | Business of clothing and accessories |       | Business of Watches |      | Total |       |
|   | 2015                                 | 2014  | 2015                | 2014 | 2015  | 2014  |
| External revenue                                  | 3,509                                | 3,117 | 442                 | 420  | 3,951 | 3,537 |
| Inter-segment revenue                             | -                                    | -     | -                   | -    | -     | -     |
| Total revenue                                     | 3,509                                | 3,117 | 442                 | 420  | 3,951 | 3,537 |
| Interest income                                   | 24                                   | 38    | -                   | -    | 24    | 38    |
| Interest expenses                                 | -                                    | -     | (6)                 | (6)  | (6)   | (6)   |
| Depreciation and amortisation                     | (136)                                | (115) | (19)                | (16) | (155) | (131) |
| Capital expenditures                              | 241                                  | 330   | 9                   | 19   | 250   | 349   |
| Share of profit from investments in joint venture | 7                                    | -     | -                   | -    | 7     | -     |
| Segment profit before income tax expenses         | 760                                  | 756   | 31                  | 43   | 791   | 799   |
| Other material non-cash items:                    |                                      |       |                     |      |       |       |
| Allowance for diminution in value of inventories  | 16                                   | (24)  | 2                   | -    | 18    | (24)  |

(Unit: Million Baht)

|  | As at 31 December        |       |                     |      |       |       |
|--|--------------------------|-------|---------------------|------|-------|-------|
|  | Business of clothing and |       |                     |      |       |       |
|  | accessories              |       | Business of watches |      | Total |       |
|  | 2015                     | 2014  | 2015                | 2014 | 2015  | 2014  |
| Segment total assets   | 4,518                    | 4,219 | 582                 | 638  | 5,100 | 4,857 |
| Investments in joint venture<br>accounted for by the equity<br>metho | 32                       | -     | -                   | -    | 32    | -     |
| Segment total liabilities  | 792                      | 626   | 232                 | 306  | 1,024 | 932   |

### Geographic information

The Company and its subsidiaries operate in Thailand only. As a result, all of revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

### Major customers

For the year 2015, the Company and its subsidiaries have revenue from a major customer in amount of Baht 329 million arising from sales by the business of closing and accessories (2014: Baht 392 million).

## 26. Provident fund

The Company and its employees, and the subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and employees contribute to the fund monthly at the rate of 3 percent of basic salary. The funds, which is managed by an asset management company, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2015 amounting to approximately Baht 5 million (2014: Baht 4 million) were recognised as expenses.

## 27. Dividends

| Dividen                   | Approve y  | Dividend paid<br>(Thousand Baht) | Dividend paid per<br>share<br>(Baht) |
|---------------------------|--|----------------------------------|--------------------------------------|
| Interim dividend for 2015 | Meeting of the Board of Directors on<br>13 August 2015         | 280,000                          | 0.35                                 |
| Final dividend for 2014   | Annual General Meeting of the<br>shareholders on 23 April 2015 | 320,000                          | 0.40                                 |
|                           |  | 600,000                          | 0.75                                 |

| Dividend                  | Approved by  | Dividend paid<br>(Thousand Baht) | Dividend paid per<br>share<br>(Baht) |
|---------------------------|--|----------------------------------|--------------------------------------|
| Interim dividend for 2014 | Meeting of the Board of Directors on<br>14 August 2014         | 320,000                          | 0.40                                 |
| Final dividend for 2013   | Annual General Meeting of the<br>shareholders on 24 April 2014 | 184,000                          | 0.23                                 |
|                           |  | 504,000                          | 0.63                                 |

## 28. Commitments and contingent liabilities

### 28.1 Capital commitments

As at 31 December 2015, the Company had outstanding commitments of Baht 1 million in respect of purchase of the land and building, computer software and construction of building improvement (2014: Baht 37 million).

### 28.2 Operating lease commitments

The Company and its subsidiaries have entered into lease agreements with department stores, retail shops, warehouses and commercial buildings in Bangkok and upcountry areas to operate shopping stores for distribution and storage of the group's products. The terms of the agreements are between 1 and 10 years.

Future minimum lease payments required under these non-cancellable operating leases contracts of the Company and its subsidiaries were as follows:

|                        | (Unit: Million Baht)                 |      |                                  |      |
|------------------------|--------------------------------------|------|----------------------------------|------|
|                        | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|                        | 2015                                 | 2014 | 2015                             | 2014 |
| <u>Payable within:</u> |                                      |      |                                  |      |
| Less than 1 year       | 371                                  | 298  | 342                              | 276  |
| 1 to 5 years           | 444                                  | 379  | 372                              | 333  |
| Over 5 years           | 138                                  | 155  | 117                              | 133  |

### 28.3 Guarantees

As at 31 December 2015, the Company and its subsidiaries have outstanding bank guarantees of approximately Baht 14 million (2014: Baht 14 million) (The Company only: Baht 1 million, 2014: Baht 1 million) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business.



29. Fair value hierarchy

As at 31 December 2015, the Company and its subsidiaries had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

|                               |   |                                   |         |         |       |
|-------------------------------|---|-----------------------------------|---------|---------|-------|
|                               |   | (Unit: Million Baht)              |         |         |       |
|                               |   | Consolidated Financial Statements |         |         |       |
|                               |   | Level 1                           | Level 2 | Level 3 | Total |
| Assets measured at fair value |   |                                   |         |         |       |
| Trading securities            |   |                                   |         |         |       |
| Unit trusts                   | - | 280                               | -       | 280     |       |

|                               |   |                               |         |         |       |
|-------------------------------|---|-------------------------------|---------|---------|-------|
|                               |   | (Unit: Million Baht)          |         |         |       |
|                               |   | Separate Financial Statements |         |         |       |
|                               |   | Level 1                       | Level 2 | Level 3 | Total |
| Assets measured at fair value |   |                               |         |         |       |
| Trading securities            |   |                               |         |         |       |
| Unit trusts                   | - | 280                           | -       | 280     |       |

30. Financial instruments

30.1 Financial risk management

The Company and its subsidiaries’ financial instruments, as defined under Thai Accounting Standard No.107 “Financial Instruments: Disclosure and Presentations”, principally comprise cash and cash equivalents, investments, short-term loan, trade and other receivables, bank overdrafts and short-term loans from financial institutions, trade and other payables, liabilities under finance lease agreements, and short-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

*Credit risk*

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables, and short-term loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables and loans as stated in the statement of financial position.

## Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, short-term investments, bank overdrafts and short-term loans from financial institutions, liabilities under finance lease agreements and short-term loans from related parties. Most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

As at 31 December 2015 and 2014, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Million Baht)

| Consolidated financial statements                                |               |           |              |                        |                  |       |                                    |         |
|--|---------------|-----------|--------------|------------------------|------------------|-------|------------------------------------|---------|
| 2015   |               |           |              |                        |                  |       |                                    |         |
| Fixed interest rates   |               |           |              |                        | Non-             |       | Interest rate<br><br>(% per annum) |         |
| At call  | Within 1 year | 1-5 years | Over 5 years | Floating interest rate | interest bearing | Total |                                    |         |
|  |               |           |              |                        |                  |       |                                    |         |
| <u>Financial Assets</u>  |               |           |              |                        |                  |       |                                    |         |
| Cash and cash equivalent   | -             | -         | -            | -                      | 103              | 393   | 496                                | Note 7  |
| Short-term investments   | -             | 100       | -            | -                      | -                | 280   | 380                                | 1.925%  |
| Trade and other receivables                                      | -             | -         | -            | -                      | -                | 707   | 707                                | -       |
|  | -             | 100       | -            | -                      | 383              | 1,380 | 1,863                              |         |
| <u>Financial liabilities</u>                                     |               |           |              |                        |                  |       |                                    |         |
| Bank overdrafts and short-term loans from financial institutions | -             | -         | -            | -                      | 158              | -     | 158                                | Note 16 |
| Trade and other payables   | -             | -         | -            | -                      | -                | 736   | 736                                | -       |
| Short-term loans from related parties                            | 26            | -         | -            | -                      | -                | -     | 26                                 | 4%      |
|  | 26            | -         | -            | -                      | 158              | 736   | 920                                |         |

(Million Baht)

## Separate financial statements

2015

|                                | Fixed interest rates |                  |              |                 | Floating<br>interest<br>rate | Non-<br>interest<br>bearing | Total | Interest<br>rate<br><br>(% per<br>annum) |
|--------------------------------|----------------------|------------------|--------------|-----------------|------------------------------|-----------------------------|-------|--|
|                                | At call              | Within<br>1 year | 1-5<br>years | Over<br>5 years |                              |                             |       |  |
| <u>Financial Assets</u>        |                      |                  |              |                 |                              |                             |       |  |
| Cash and cash equivalent       | -                    | -                | -            | -               | 103                          | 378                         | 481   | Note 7                                   |
| Short-term investments         | -                    | 100              | -            | -               | -                            | 280                         | 380   | 1.925%                                   |
| Trade and other<br>receivables | -                    | -                | -            | -               | -                            | 866                         | 866   | -  |
|                                | -                    | 100              | -            | -               | 103                          | 1,524                       | 1,727 |  |
| <u>Financial liabilities</u>   |                      |                  |              |                 |                              |                             |       |  |
| Trade and other payables       | -                    | -                | -            | -               | -                            | 1,257                       | 1,257 | -  |
|                                | -                    | -                | -            | -               | -                            | 1,257                       | 1,257 |  |

(Million Baht)

## Consolidated financial statements

2014

|   | Fixed interest rates |                  |              |                 | Floating<br>interest<br>rate | Non-<br>interest<br>bearing | Total | Interest rate<br><br>(% per annum) |
|---|----------------------|------------------|--------------|-----------------|------------------------------|-----------------------------|-------|------------------------------------|
|   | At call              | Within<br>1 year | 1-5<br>years | Over<br>5 years |                              |                             |       |                                    |
| <u>Financial Assets</u>   |                      |                  |              |                 |                              |                             |       |                                    |
| Cash and cash equivalent  | -                    | -                | -            | -               | 99                           | 55                          | 154   | Note 7                             |
| Short-term investments  | -                    | 1,000            | -            | -               | -                            | 544                         | 1,544 | 2.73 - 3.05%                       |
| Trade and other<br>receivables  | -                    | -                | -            | -               | -                            | 648                         | 648   | -                                  |
|   | -                    | 1,000            | -            | -               | 99                           | 1,247                       | 2,346 |                                    |
| <u>Financial liabilities</u>  |                      |                  |              |                 |                              |                             |       |                                    |
| Bank overdrafts and short-<br>term loans from<br>financial institutions | -                    | -                | -            | -               | 155                          | -                           | 155   | Note 16                            |
| Trade and other payables  | -                    | -                | -            | -               | -                            | 633                         | 633   | -                                  |
| Liabilities under finance<br>lease agreements                           | -                    | 1                | 4            | -               | -                            | -                           | 5     | 5.216% -<br>5.875%                 |
| Short-term loans from<br>related parties                                | 26                   | -                | -            | -               | -                            | -                           | 26    | 4%                                 |

(Million Baht)

| Consolidated financial statements |                  |              |                 |                              |                             |       |               |
|-----------------------------------|------------------|--------------|-----------------|------------------------------|-----------------------------|-------|---------------|
| 2014                              |                  |              |                 |                              |                             |       |               |
| Fixed interest rates              |                  |              |                 |                              |                             |       |               |
| At call                           | Within<br>1 year | 1-5<br>years | Over<br>5 years | Floating<br>interest<br>rate | Non-<br>interest<br>bearing | Total | Interest rate |
| (% per annum)                     |                  |              |                 |                              |                             |       |               |
| 26                                | 1                | 4            | -               | 155                          | 633                         | 819   |               |
| (Million Baht)                    |                  |              |                 |                              |                             |       |               |

| Separate financial statements |                  |              |                 |                              |                             |       |               |
|-------------------------------|------------------|--------------|-----------------|------------------------------|-----------------------------|-------|---------------|
| 2014                          |                  |              |                 |                              |                             |       |               |
| Fixed interest rates          |                  |              |                 |                              |                             |       |               |
| At call                       | Within<br>1 year | 1-5<br>years | Over<br>5 years | Floating<br>interest<br>rate | Non-<br>interest<br>bearing | Total | Interest rate |
| (% per annum)                 |                  |              |                 |                              |                             |       |               |

Financial Assets

|                                |   |       |   |   |     |       |       |         |
|--------------------------------|---|-------|---|---|-----|-------|-------|---------|
| Cash and cash equivalent       | - | -     | - | - | 100 | 42    | 142   | Note 7  |
|                                | - |       |   |   |     |       |       | 2.73% - |
| Short-term investments         |   | 1,000 | - | - | -   | 544   | 1,544 | 3.05%   |
| Trade and other<br>receivables | - | -     | - | - | -   | 901   | 901   | -       |
|                                | - | 1,000 | - | - | 100 | 1,487 | 2,587 |         |

Financial liabilities

|                          |   |   |   |   |   |     |     |   |
|--------------------------|---|---|---|---|---|-----|-----|---|
| Trade and other payables | - | - | - | - | - | 900 | 900 | - |
|                          | - | - | - | - | - | 900 | 900 |   |

**Foreign currency risk**

The Company and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The subsidiary seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at 31 December 2015 and 2014, the balances of financial assets and liabilities denominated in foreign currencies are summarised below.

| Foreign currencies | Financial liabilities |           | Average exchange rate              |       |
|--------------------|-----------------------|-----------|------------------------------------|-------|
|                    | 2015                  | 2014      | 2015                               | 2014  |
|                    | (Million)             | (Million) | (Baht per 1 foreign currency unit) |       |
| USD                | -                     | 2         | 36.04                              | 32.92 |
| JPY                | 5                     | 5         | 0.30                               | 0.27  |

As at 31 December 2015, the Company has no outstanding of forward exchange contract. As at 31 December 2014, the Company had forward exchange contracts outstanding as summarised below.

| 2014               |               |                              |                           |
|--------------------|---------------|------------------------------|---------------------------|
| Foreign currencies | Bought amount | Contractual exchange rate    | Contractual maturity date |
|                    | (Million)     |                              |                           |
| The Company        |               |                              |                           |
| USD                | 0.34          | 32.94 - 32.97 Baht per 1 USD | February 2015             |
| Subsidiaries       |               |                              |                           |
| USD                | 0.07          | 32.97 Baht per 1 USD         | February 2015             |
| CHF                | 0.02          | 34.07 Baht per 1 CHF         | January 2015              |

**30.2 Fair values of financial instruments**

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature. Bank overdrafts and short-term loan from financial institutions liabilities under finance lease agreements, and short-term loans bear interest rates close to the market rate, their fair values are not expected to be materially different from the amounts presented in statement of financial position.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- a)For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, trade and other receivables, bank overdrafts and short-term loans from financial institutions, trade and other payables and short-term loans, their carrying amounts in the statement of financial position approximate their fair values.
- b)The fair value of investments in unit trusts is determined based on the net asset value of the last working day of the reporting period.

During the current year, there were no transfers within the fair value hierarchy.

**31. Capital management**

The primary objective of the Company and its subsidiaries' capital management is to ensure that they have appropriate capital structure in order to support their business and maximise shareholder value. As at 31 December 2015, the Group's debt-to-equity ratio was 0.25:1 (2014: 0.24:1) and the Company's was 0.32:1 (2014: 0.24:1).

**32. Event after the reporting period**

On 25 February 2016, the Board of Directors Meeting No. 1/2016 of the Company resolved to propose to the 2016 Annual General Meeting of Shareholders to be held on 21 April 2016, to approve allotment of 2015 net profit for dividend payment at Baht 0.40 per share. The payment will be made on 19 May 2016.

**33. Approval of financial statements**

These financial statements were authorised for issue by the Company’s Board of Directors on 25 February 2016.





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