

MC GROUP

ANNUAL REPORT

2016

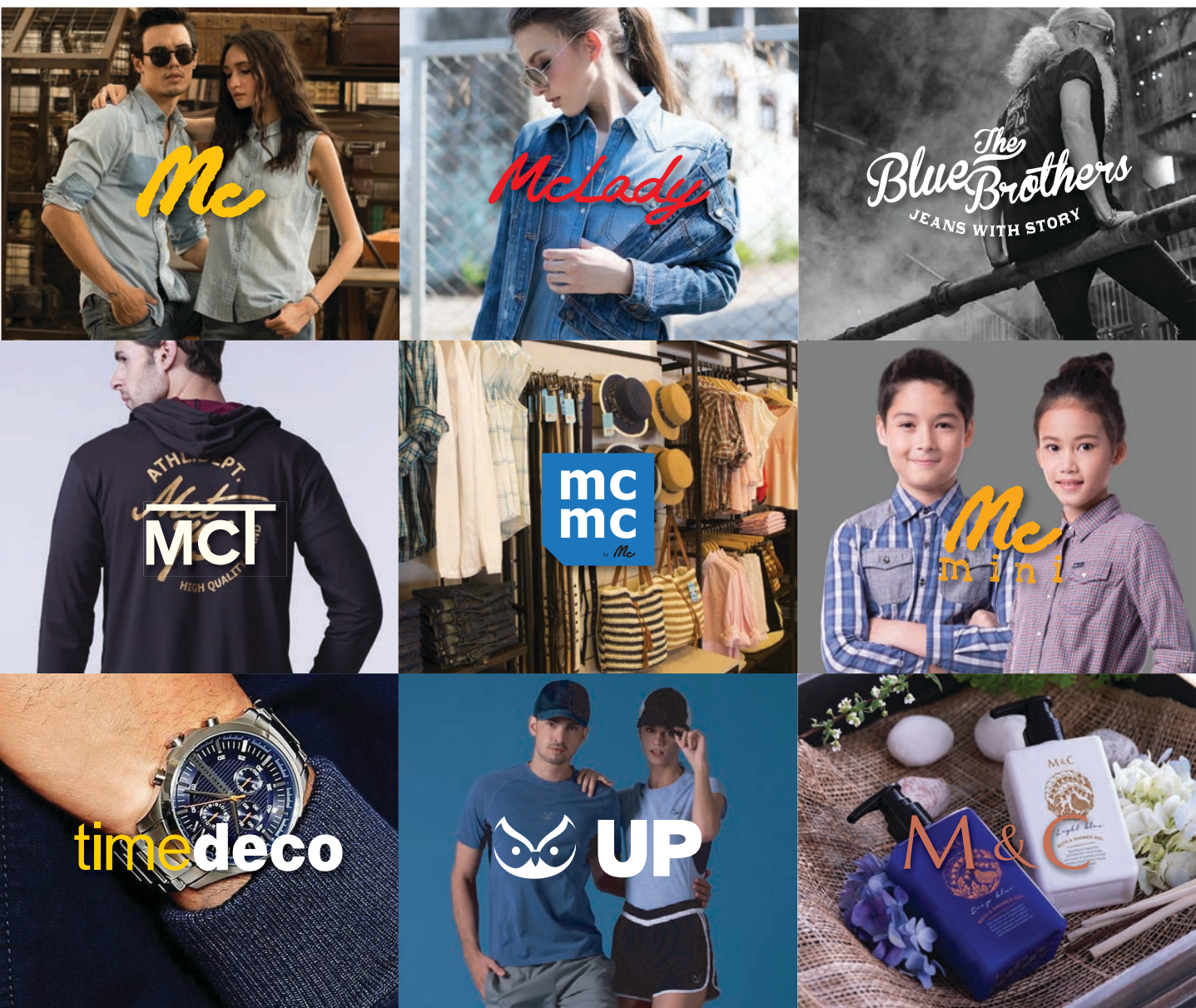


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VISION ▪ CORE VALUE

VISION

MC Group PLC. and its subsidiaries aspire 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 quality products with reasonable prices, extensive sales network and quality services.



CORE VALUE ▪ MC WAY

- MOTIVATION** ■ **Motivated** to create best outputs for the customers
- COMMITMENT** ■ **Committed** to promises made to the customers and partners under honest business conducts.
- WILLINGNESS** ■ **Willingness** Conduct business in all functions with strong will to deliver the best products and services
- APPRECIATION** ■ **Appreciate** and respect others as well as their works and be kind to each other both in the same department and organization wide.
- YES-MIND** ■ **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
AND CHIEF EXECUTIVE OFFICER



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

To Shareholders,

As the economy has been recovering slowly and consumers were more prudent than before in their spending, the year 2016 has put retail businesses into another challenging test. This did not stop the Company to move forward on its strategic roadmap to attain its growth aspiration of 15% average sales revenue growth per year from 2014-2018. The year 2016 marked our 41th year in doing business and another important step in focusing on growth both top and bottom lines. Given this emphasis, we have achieved in enhancing varieties of our offering in clothing and apparel products especially for top wears where quality, special properties of fabrics as well as modern designs are our focal points. Moreover, weekly sales promotions were initiated and executed to offer our customers fun experiences and value for money. “MC is Life” concept was highlighted to the customers as new products were innovated and introduced to be customers' choices that meet their everyday needs. In the last quarter of 2016, the Company introduced lifestyle products under 2 new brands which are “UP” for activewear clothing and “M&C” for skin care products.

With regard to distribution channels, the Company keeps expanding our sales network both domestically and internationally. At the end of 2016, the Company held a total of 897 points of sales, up 31 locations from the previous year. The rationale behind this slower expansion rate of sales footprints is that the Company realized our sales network already covers key strategic locations across the country. Consequently, we shifted our attention to productivity and effectiveness in existing locations. Plus, our new online channel, www.mcshop.com has been launched to prepare ourselves in becoming omni-channel retailer in the near future.

The year also brought pleasure and pride to us as the Company was selected to be in the ESG100, a list of 100 public companies with outstanding records on environment, society and governance by Thaipat Institute. Besides, Mc Jeans was awarded “Premium Products of Thailand – The Pride of Thais” for 2016 under apparel and accessory category during Thailand Industry Expo organized by the Ministry of Industry to recognize products or services with premium quality that gain good reputation and international recognition.

Looking forward to the year 2017, Mc Group is adamant about growing our sales revenue and profitability. Sales revenue growth was targeted at 15%, achievable mainly through same-store-sales growth. Denim apparels will still be our flagship products given our expertise and market leadership. We planned to develop and introduce new lifestyle products through our free-standing shops while our efforts on international expansion via sales agents and online channel development to cater to changing consumers' behaviors are still maintained as key strategic imperatives.

Apart from business growth, the Company also put organization development first among other initiatives as we believe that sustainable business growth requires workforce with efficiency, skills, knowledge, and expertise in both working and living. Furthermore, we also put highest priority in society, community and environment as one of values that Mc Group is committed to. The Company consistently supports educational and other activities that give back to the society. Mc Smart Project and Mc Sewing Training for Occupation Development Project were still undertaken rigorously as our showcase on this endeavor.

To conclude, I would like to extend our sincere gratitude on behalf of the management team of Mc Group to all the shareholders, customers, business partners as well as our over 2,000 employees for your trusts and 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.



Kaisri Nuengsigkapan
Chairman of the Board of Director

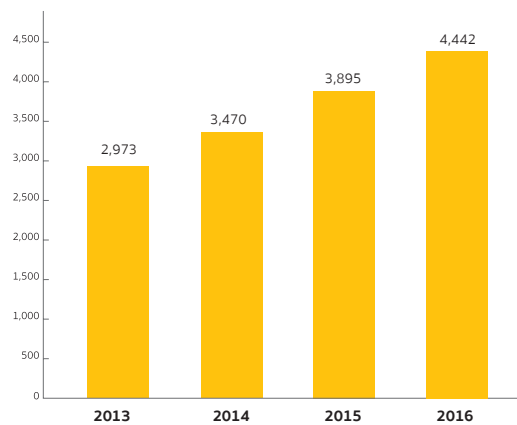


Sune Seripanu
Chief Executive Officer

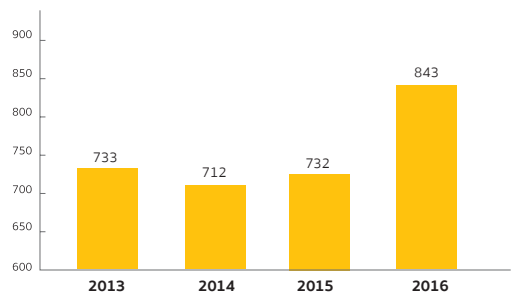
FINANCIAL SUMMARY

| Summary of Financial Information (in THB millions) | Consolidated Financial Statements | | |
|--|-----------------------------------|-------|-------|
| | 2014 | 2015 | 2016 |
| Statements of Comprehensive Income | | | |
| Revenue from sale of goods | 3,470 | 3,895 | 4,442 |
| Total income | 3,538 | 3,951 | 4,479 |
| Earnings before interest net, taxes, depreciation and amortization | 898 | 928 | 1,093 |
| Net profit (loss) | 712 | 732 | 843 |
| Statements of Financial Position | | | |
| Total assets | 4,857 | 5,100 | 5,196 |
| Total liabilities | 932 | 1,024 | 910 |
| Total equity | 3,925 | 4,076 | 4,286 |
| | | | |
| | Consolidated Financial Statements | | |
| | 2014 | 2015 | 2016 |
| Profitability (%) | | | |
| Gross profit margin | 54.4 | 56.1 | 54.7 |
| EBITDA margin | 25.7 | 23.6 | 24.5 |
| Net profit margin | 20.1 | 18.5 | 18.8 |
| Return on total assets | 15.0 | 14.7 | 16.4 |
| Return on total equity | 19.2 | 18.8 | 20.8 |
| | | | |
| Debt to Equity Ratios (Times) | | | |
| Total debt to equity ratio | 0.2 | 0.3 | 0.2 |
| | | | |
| Per Share Information (THB) | | | |
| Book value per share | 4.91 | 5.09 | 5.36 |
| Earnings per share | 0.89 | 0.92 | 1.05 |
| Dividends per share | 0.80 | 0.75 | 0.80 |

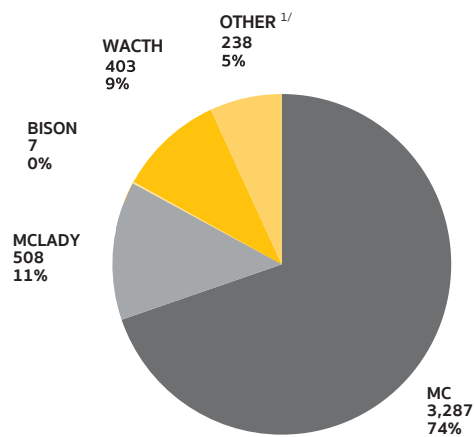
Revenue From Sales of Goods
(in THB millions)



Net Profit
(in THB millions)

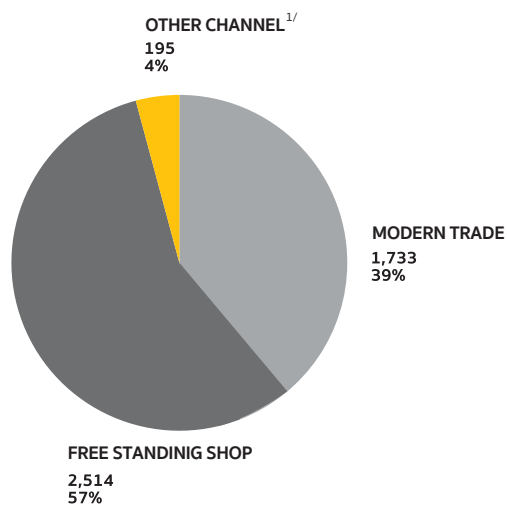


2016 Revenue Structure - By Brands
(in THB millions)



Remark : ^{1/} 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

2016 Revenue Structure - By Distribution Channels
(in THB millions)



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

BOARD OF DIRECTORS





DIRECTORS

Mrs. Kaisri Nuengsigkapan

1

Chairman of the Board of Directors / Chairman of Executive Committee

- 55 years old
- Appointed 21 April 2016
- Education/Training
 - Master of Business Administration, Thammasat University
 - Bachelor of Accounting, Thammasat University
 - Director Accreditation Program (DAP), Class 0/2000, Thai Institute of Directors (IOD)
 - Capital Market Academy Leadership Program, Class 3, Capital Market Academy
 - Certificate, The Role of The Chairman Program, Thai Institute of Directors (IOD)
 - Certificate, The Role of The Compensation Committee Program, Thai Institute of Directors (IOD)
- Current directorship in other companies
 - Chairman of the Board of Directors / Chairman of Executive Committee, Mc Group Plc
 - Director, TOP T 2015 Co., Ltd.
 - Director / Treasurer, Rakkaew Foundation
 - Advisor, Securities and Exchange Commission, Thailand (SEC)
- Experience
 - Chief Executive Officer, KPMG Thailand
 - Governor, The Stock Exchange of Thailand
- Number of Companies with Current Directorship
 - Listed company : -None-
 - Other companies : 2 companies

Ms. Sunee Seripanu

2

Director/ Member of Executive Committee/ Chief Executive Officer / Managing Director

- 52 years old
- Appointed 15 March 2013
- Education/Training
 - Master of Business Administration, Assumption University
 - Bachelor of Accountancy, 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)
 - Capital Market Academy Leadership Program, Class 15/2013, Capital Market Academy
- Current directorship in other companies
 - Director/ Member of Executive Committee/ 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.
 - President, Mc Group Foundation for Thai Society
 - Director, Millennium (1975) Co., Ltd.
- Experience
 - Director, SS Challenge Co., Ltd.
 - Director, Amata Apparel Co., Ltd.
 - Director, Na Yai Am Real Estate Co., Ltd.
- Number of Companies with Current Directorship
 - Listed company : -None-
 - Other companies : 10 companies

Mr. Virach Seripan

3

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

- **54 years old**
- **Appointed 15 March 2013**
- **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

Mr. Somchai Apiwattanapron

4

**Independent Director / Chairman of Audit Committee /
Chairman of Risk Management Committee**

- **66 years old**
- **Appointed 15 March 2013**
- **Education/Training**
 - Master of Political Sciences in Public Management, Ramkhamhaeng University
 - Bachelor Degree in Accounting, Ramkhamhaeng University
 - Director Certification Program (DCP), Class 74/2006, Thai Institute of Directors (IOD)
 - Director Accreditation Program (DAP), Class 14/2004, Thai Institute of Directors (IOD)
 - Audit Committee Program (ACP), Class 21/2008, Thai Institute of Directors (IOD)
 - Financial Statements for Directors (FSD), Class 17/2012, Thai Institute of Directors (IOD)
 - Capital Market Academy Leadership 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 Risk Management Committee, MC GROUP Plc.
 - Independent Director / Chairman of Audit Committee / Chairman of Nomination and Remuneration Committee, Robinson Department Store Plc.
 - Independent Director / Chairman of Audit Committee, Ferrum Public Company Limited
 - Independent Director / Chairman of Audit Committee, Synnex (Thailand) Plc
 - Director, P.K. Garment (Import-Export) Co., Ltd.
 - Director, McJeans Manufacturing Co., Ltd.
 - Director, Winnerman Co., Ltd.
 - Director, Wowme Co., Ltd.
- **Experience**
 - Chairman of the Board of Directors Thailand Tobacco Monopoly, Ministry of Finance
 - Inspector - General Ministry of Finance
 - Member of Federation of Accounting Professions Tax Accounting Committee Federation of Accounting Professions
- **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/ Member
of Nomination and Remuneration Committee**

- **52 years old**
- **Appointed 15 Mar 2013**
- **Education/Training**
 - LLM, Arizona State University, Arizona, USA
 - LLM, California Western School of Law, California, USA
 - Master of Arts in Economics, Northeastern University, Massachusetts, USA
 - Thai Barrister at Law
 - Bachelor of Laws, Thammasat University
 - Director Accreditation Program (DAP), Class 10/2004, Thai Institute of Directors (IOD)
- **Current directorship in other companies**
 - Independent Director/ Member of Audit Committee/ Member of Risk Management Committee/ Member of Nomination and Remuneration Committee, MC GROUP Plc.
 - Director, Sime Darby (Thailand) Co., Ltd.
 - Director, S.C. Law Office Co., Ltd.
 - Director, S.P.C. Precious Metal Co., Ltd.
 - Director, Ranhill Utilities Thai Co., Ltd.
 - Director, Sime Darby Auto Services Co., Ltd.
 - Director, Sagawa Express (Thailand) Co., Ltd.
 - Director, SG Sagawa (Thailand) Co., Ltd.
 - Director, Viking Motors Co., Ltd.
 - Director, Sime Darby Vantage (Thailand) Co., Ltd.
 - Director, Sime-Morakot Holdings Co., Ltd.
 - Director, Tokio Marine South-East Servicing Co., Ltd.
 - Director, Sime Darby Mazda (Thailand) Co., Ltd.
 - Director, Tokio Marine Insurance (Thailand) Plc.
 - Director, Performance Motors (Thailand) Co., Ltd.
 - Director, Greenspot Co., Ltd.
 - Director, Morakot Industries Plc.
- **Experience**
 - Director, Karat Faucet Co., Ltd.
 - Independent director/member of audit committee, member of nomination and remuneration committee, AAPICO Hi-tech Plc.
 - Director, Thaicom Network Co., Ltd.
- **Number of Companies with Current Directorship**
 - Listed company : -None-
 - Other companies : 16 companies

**Director / Chairman of Sustainable Development
Committee**

- **51 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, Asiasoft Corporation Plc.
 - Independent Director/ Member of the Nomination & Remuneration Committee, Somboon Advance Technology Plc.
 - Director, Altus Advisory Co., Ltd.
- **Experience**
 - Director, SNC Former Plc.
 - Director, Nok Airlines Plc.
- **Number of Companies with Current Directorship**
 - Listed company : 2 companies
 - Other companies : 2 companies

Mrs. Chananyarak Phetcharat

7

Independent Director/ Member of Risk Management Committee

- **53 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)
 - BRAIN1 Business Revolution and Innovation Network by FTI Federal Trade Industries
- **Current directorship in other companies**
 - Independent Director/ Member of Risk Management Committee, 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.
- **Experience**
 - Country Manager, Mobile Devices Sector, Motorola (Thailand) Ltd.
- **Number of Companies with Current Directorship**
 - Listed company : 1 companies
 - Other companies : 2 companies

Mr. Lucksananoi Punkrasamee

8

Independent Director / Audit Committee / Chairman of Nomination and Remuneration Committee

- **64 years old**
- **Appointed 1 January 2016**
- **Education/Training**
 - Bachelor Degree in Accounting Chulalongkorn University
 - Master Degree (MBA) Chulalongkorn University
 - Certificate in Management Development Program, The Wharton School of the University of Pennsylvania
 - Certificate in Inno-Leadership program, INSEAD University (France)
 - Certificate “Executive development Program” Graduate School of business, Columbia University
 - Director Accreditation Program (DAP) class SCC/2004
 - Director Certification Program (DCP) class 122/2009
- **Current directorship in other companies**
 - Independent Director / Audit Committee / Chairman of Nomination and Remuneration Committee, Mc Group Plc.
 - Chairman of the Board / Nomination and Remuneration Committee, Origin Property Public Company Limited
 - Advisor to Vice President-Finance and Investment & CFO, The Siam Cement Public Company Limited
 - Independent Director / Chairman of Audit Committee, Singer Thailand Public Company Limited
 - Director, Singer Capital Thailand Company Limited
- **Experience**
 - Managing Director, SCG Accounting Company Limited
- **Number of Companies with Current Directorship**
 - Listed company : 2 companies
 - Other companies : 1 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”

2000

Launched the new brands, “Mc Lady” and “Bison” to offer product varieties to better serve the needs of customers.

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.

- Premiered “The Blue Brothers” brand that was aimed to expand into premium segment.
- Launched “mc mc” brand to offer value-for-money products to all types of customers.
- Launched new project “Mc Me” under “Mc” brand to top the broadened base of customers particularly 40 years old up female group
- 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.

2008

Conducted an active sales network expansion by opening its first free standing shop at Tesco Lotus Salaya.

2012

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

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.

2015

- Relocated the warehouse and distribution center from Factory 1 to a warehouse rented from WHA Corporation PLC on Romklao Road.
- Launched a new product “Mc travel bag” under “Mc” brand as a lightweight lifestyle product for travellers.
- 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.
- Set up “Mc Jeanious Co., Ltd.” as a holding company to invest in its joint ventures. 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.
- Appointed a sales agent of MC GROUP in Cambodia.
- Changed the name and look of its online channel website from www.WoWme.co.th to www.mcshop.com. The new online site is expected to be officially launched in 2016.

BACKGROUND AND KEY DEVELOPMENTS

2016

February

Launched Mc Jeans Official LINE as another Communications Channel for customers to update news s such as new collections, special promotions, privileges and other activities organized by Mc Jeans.



April

with outstanding performance in Environment, Social and Governance (ESG) under service industry by Thaipat Institute.

June

Launched www.mcshop.com Official LINE to promote special offers, sales campaigns and new products of the online channel.



July

Mc Jeans was awarded “Premium Products of Thailand – The Pride of Thais” for the year 2016 in apparel and accessory category in Thailand Industry Expo 2016 organized by Ministry of Industry to recognize local products or services with premium quality that brought a good reputation and international recognition to Thailand. This award is aimed at honoring people who create innovative products and promoting trust in quality of Thai products .

October

Redesigned management structure and re-formulated business plan of Time Deco Corporation Limited with the objective to better meet the needs of consumers by introducing appealing and value-for-money sales promotions as well as adding alternative channels or customer groups such as online channel (www.mcshop.com) and corporate sales.

November

Premiered “UP” brand to expand to activewear with a focus on sport functional purposes available in easy-to-wear design and pattern that customers can mix and match with other apparels, perfect for doing everyday activities in their lives under the slogan “Unlimited Performance”.



December

Introduced new lifestyle products in “skin care” category under “M&C” brand. These new body lotion and shower gel are quality-guaranteed with top-selected natural ingredients and unique scents. Available at all Mc Jeans shops including the online channel www.mcshop.com.



POLICY AND OVERVIEW OF BUSINESS

Vision, Objectives, Targets and Strategies

MC Group Public Company Limited (“Company”) and its subsidiaries aspire 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 quality products with reasonable prices, extensive sales network and quality services.

The Company formulated its business plan to drive the organization to meet its financial targets in the future by achieving a revenue growth of 12-15% per annum. 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 brands to serve customers of all groups, ages and lifestyles.

The Company 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.

For the past year, the Company developed and introduced new products to serve specific target groups. For instance, active wear under “UP” brand was launched to cater to consumers’ active lifestyles in doing more exercises and outdoor activities. The key selling points are that they are easy to wear, looking good and modern using raw material innovation that fits consumers’ lifestyles and meet international standards. Additionally, the Company also premiered new products under skin care business line by introducing its new brand “M&C” aimed for those customers who are conscious about their skin health, beauty and personality. The number of these clients is rising continuously judging from skin care’s market value that keeps hitting new highs.

2. Sales Channel Strategy

2.1 Expand existing sales channels nation-wide to cover growing customer base

The Company 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 as well as mobile units. At the end of 2016, The Company had in total 897 points of sales. The reason is that these channels allow better product management, greater flexibility of new product introduction and more diverse sales promotions. This sales network expansion strategy will enable Mc Group to better access target customer groups. Mc Group will prudently review the feasibility by considering locations, potentials of malls, population, target customers and purchasing power at new points of sales.

2.2 Expand to internet or online channel

WoWme Co., Ltd, a subsidiary of MC GROUP launched its online/internet channel www.wowme.co.th in June 2013 to expand to alternative sales channel to further reach retail customers. Later in December 2015, Mc Group launched a new online distribution channel, www.mcshop.com, offering mostly apparels and lifestyle products under its group of companies. The Company is confident that this online channel will appeal to customers, raise brand awareness as well as provide customers with higher convenience so that customers will buy its products more.

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, Vietnam and Cambodia. The Company expected to expand further to other markets under AEC. Bearing in mind the unique ways of doing business and associated risks in respective countries, the Company 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.

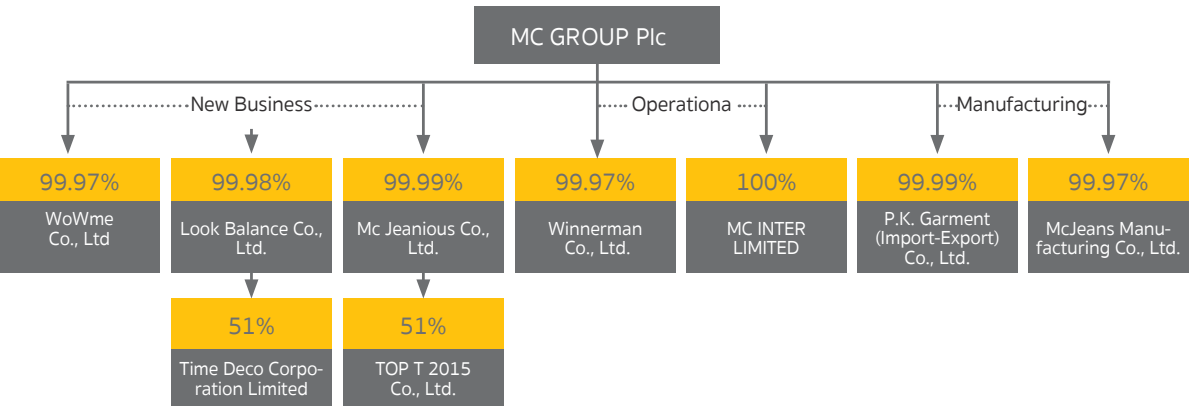
The Company is still active in searching for M&A and joint venture opportunities in related businesses to attain its business expansion goal according to group of companies' strategic plan.

5. Emphasize on efficiency improvement in management

MC GROUP put an importance on all of its business units from raw material sourcing, production line management, finished product management, country-wide product distribution to sales channel management. Process improvement and implementation of information technology are also essential to enhance production efficiency and distribution effectiveness, control productions of outsource suppliers as well as reduce time-to-market of the products and manage and distribute products more efficiently.

In addition to stated strategies above, the Company realized the importance of human resource development in supporting its business growth. Our human capital strategy covers talent acquisition to competency development to promote career advancement in the organization. Furthermore, 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

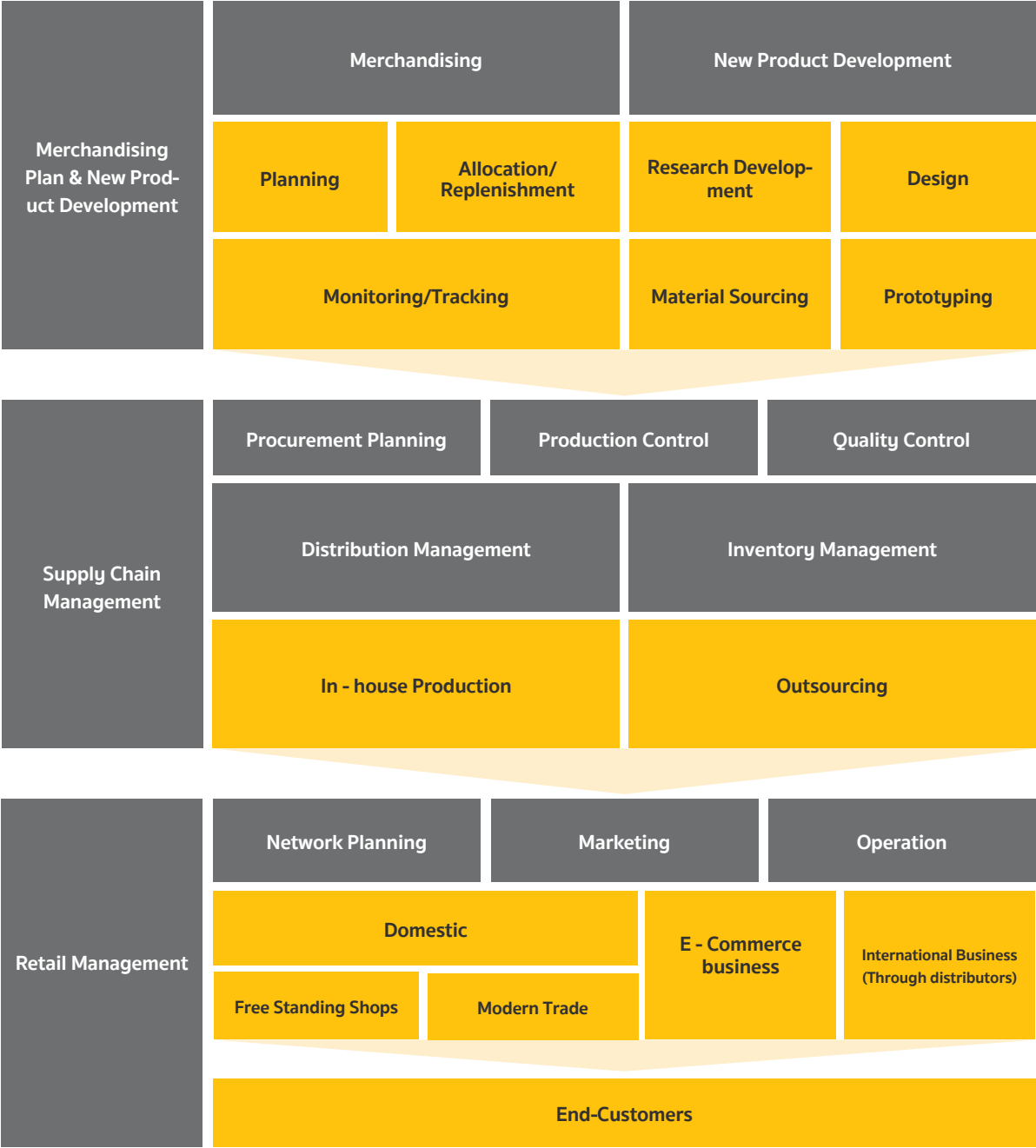


Company Profile: Mc Group and Subsidiaries'

| Company Name | Registered Capital (mil-lion baht) | Business | % Share-holding |
|---|------------------------------------|--|-----------------|
| MC GROUP Plc | 400,000,000 | Manages sales and distribution of ready-to-wear clothing and apparel. | - |
| P.K. Garment (Im-port-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 Manufac-turing 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 Corpora-tion 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

The Company 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 as follows:



1) Merchandising Plan and New Product Development

Merchandising plan and new product development are the bedrock in operating our business. Customer demand analysis is conducted to keep abreast of fashions, trending styles, social trends as well as changes in consumer behaviour overtime so that the Company can leverage on the understanding of consumer behaviour to develop and offer products or brands that meet the demands of consumers. Additionally, demand planning together with raw material sourcing/co-producing with other manufacturers are key to quality control, cost management and thus our competitiveness.

2) Supply Chain Management

For apparel and lifestyle product business apart from watch business, The Company has 2 main production sources which are owned production facilities and outsource manufacturers. Our contract manufacturers are trusted sources of products that address our demands in terms of quantity, time and cost. With regard to watch business, the Company acts as an agent and directly makes orders to brand owners. Therefore, THE COMPANY is able to effectively estimate monthly sales and make monthly orders that are aligned with customers' demand.

3) Retail Network Management

Mc Group put an 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. The Company 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 and planned to expand into other destinations in the near future.

Apart from stated traditional sales network, The Company succeeded in setting up sales channels that reach customers directly. Mobile unit, open kiosk and online channel were designed to serve this purpose to become alternative channels to enhance capabilities in penetrating all groups of customers.

Products and Services

MC GROUP's Brands and Products

The Company offers a variety of brands that are unique in styles and features to respond to different preferences of customers in different markets. Product design and selection, store decoration, sales promotion program development and sales campaign execution must be mainly based on customers' lifestyles. Therefore, a number of new products were launched recently such as bags, belts, activewears and skin care products.

1. Apparels and related wears under "Mc" brand

Mc Jeans brand ranked among the top brands in popularity for Thailand's denim market\ thanks to its 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 2016, Mc Jeans stressed on product diversification and developed its new products beyond apparels to fit lifestyles of consumers such as travel bags, shoulder bags, caps and scarves. Given its brand's strength and continuous development of new product lines, Mc Jeans is still by far the main revenue contributor of THE COMPANY, making up 73.9% of total sales revenue in 2016.

2. Apparels and related wears under "Mc Lady" brand

"Mc Lady" brand represents modern styles suitable for women who enjoy dressing up through a wide selection of products with trendy details and patterns made of mostly denim. Products can be easily mixed and matched to give a variety of style with fitted and comfortable forms. Mc Lady targets women of all ages from teenagers to working-aged or middle-aged ones whose passion is in fashion. Moreover, other lines of products were introduced e.g. hats, scarves and belt. In 2016, Mc Lady contributed 11.4% of the total sales revenue.

3. 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.

4. 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 no matter it is work day or vacation.

5. 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 lifestyles made available from imported quality raw materials to hand-craft 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.

6. Apparels and related wears under other brands “McT”

McT brand is developed under t-shirt line that emphasizes innovation from fabrics to printing techniques with exquisite and unique patterns. Soft Tech technology is used to create a special fabric that offers superior properties compared to common stretch fabrics. These properties are velvet-like softness, wrinkle resistance and quick dry quality made possible by its 100% cotton fabrics, perfect for men and women alike. Furthermore, polo shirts and hoodies are manufactured using Dri-Balance technology with 2 layers of fabrics aimed to instantly absorb sweats from the body as well as promote air ventilation that enhances coolness, dryness and comfortability. The product also perfectly fits shapes of Thai people which resulted in positive feedbacks.

7. Apparels and related wears under other brands “UP”

UP brand is among activewear products catering to men and women under the slogan “Unlimited Performance” which offers a combination of easy to wear and glamor with appealing patterns and practical quality. Hydrophilic material with synthetic fiber is carefully selected to enhance comfort and dryness. Moreover, production processes make possible high quality products that meet international standards. UP is distinct in its modern styles that make mix&match with other apparels easy and perfect to wear during exercise while customers are running daily routines in line with the concept “Activewear with Fashion Attitude”

8. Skin Care and Aromatic products under other brands “M&C”

M&C brand is high quality skin care and aromatic products. In 2016, The Company introduce body lotion and shower gel product. The ingredients are carefully selected to ensure highest quality for both products. The body lotion is aromatic and infused with natural extracts like natural oil that evens out and soothes the skin from its hydrating effect. The lotion does not contain petroleum, parabens and silicone. The shower gel mildly cleanses the skin without drying up skin's natural oil so your skin will be moisturized and glowing with an unmistakable scent. Both products are cruelty-free - no animal testing in product development and manufacturing. MC already distributes M&C skin care products at all Mc Jeans stores as well as through the Company's online channel www.mcshop.com

9. Leading watch brands from around the world

The Company offers fashion watch brands such as Diesel, DKNY, Em-porio Armani through its acquisition of 51% ownership in Time Deco Corporation Limited. These watches cater to trendy male and female customers who look for fashionable and trendy watches that fit their personalities. Sales revenue from Time Deco Corporation Limited accounted for 9.1% of total sales revenue in 2016.

Revenue Structure

Revenue Structure of MC GROUP and its subsidiaries accounting to financial statement for 2014 – 2016 are as follow:

1. Revenue Structure by Product

| Consolidated Financial Statements | 2014 | | 2015 | | 2016 | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | million baht | % | million baht | % | million baht | % |
| Revenue from ready-to-wear clothing and related apparels | | | | | | |
| 1. Mc ^{1/} | 2,422 | 69.8 | 2,850 | 73.2 | 3,287 | 74.0 |
| 2. Mc Lady | 492 | 14.2 | 445 | 11.4 | 508 | 11.4 |
| 3. Mc T | - | - | 57 | 1.5 | 120 | 2.7 |
| 4. mc mc | 9 | 0.3 | 33 | 0.8 | 42 | 0.9 |
| 5. Mc mini | 21 | 0.6 | 25 | 0.7 | 21 | 0.5 |
| 6. Bison | 80 | 2.3 | 33 | 0.8 | 7 | 0.2 |
| 7. Other Brands | 34 | 1.0 | 18 | 0.5 | 55 | 1.2 |
| 8. Revenue from watch sales | 412 | 11.9 | 434 | 11.1 | 403 | 9.1 |
| Total Sales Revenue | 3,470 | 100.0 | 3,895 | 100.0 | 4,442 | 100.0 |

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

2. Revenue Structure by Sales Channel

| Consolidated Financial Statements | 2014 | | 2015 | | 2016 | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | million baht | % | million baht | % | million baht | % |
| 1. Modern trade | 1,663 | 47.9 | 1,699 | 43.6 | 1,733 | 39.0 |
| 2. Free standing shop | 1,647 | 47.5 | 2,016 | 51.8 | 2,514 | 56.6 |
| 3. Other channels ^{1/} | 160 | 4.6 | 180 | 4.6 | 195 | 4.46 |
| Total Sales Revenue | 3,470 | 100.0 | 3,895 | 100.0 | 4,442 | 100.0 |

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

Target Customers

Top ten customers in terms of sales revenue are large-sized modern trade customers whose revenue made up for 30.7%, 25.9% and 24.3% of total sales revenue in 2014, 2015 and 2016 respectively.

With regard to revenue by geography of end-customers, upcountry customers contributed 53.0%, 55.0% and 58% of total sales revenue in 2014, 2015 and 2016 respectively.

Sales Channel

As of 31 December 2016, The Company distributed all its products across 872 points of sales in Thailand and 25 points of sales internationally through appointed sales 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 products under “Mc”, “Mc Lady”, “Mc mini” and “The Blue Brothers”
- Free standing shop that distributes apparel products for men, women, boys and girls under “mc mc” brand. Fashion.
- Free standing shop under “The Blue Brothers Denim Store” that distributes premium denim products for high purchasing power customers.
- Free standing shop that distributes leading fashion watch brands including Diesel, DKYNY and 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 Supercenter, Tesco Lotus etc.

3. Mobile Unit: In rural Thailand and neighboring countries where other points of sales are not present, mobile unit is deployed to reach the customers and to test the market before opening 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 in 2014 and Cambodia since 2015. At the end of December 2016, Mc Group had 25 points of sales in foreign markets- 20 in Myanmar, 3 in Laos, and 1 in Cambodia.

6. Online/Internet channel: MC GROUP launched website www.mcshop.com since December 2015 with the focus on clothing, apparels and apparels under group of companies’ brands. Mc Group aimed to use online channel as an alternative channel both current and new customers to purchase products.

7. PTT gas station channel: MC GROUP also introduced 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 offered that fit traveling lifestyle from apparels to accessories including hats, sunglasses, bags and others to meet the need of travelers.

8. Direct Sales: To further reach consumers, The Company added direct selling channel through magazine as a new channel.

Number of point of sales by company for 2014, 2015 and 2016
Clothing and apparels under “MC GROUP”

| By Channel | 2014 | | 2015 | | 2016 | |
|--|------------|--------------|------------|--------------|------------|--------------|
| | Pos | % | PoS | % | PoS | % |
| Free standing shop | 232 | 31.7 | 263 | 34.7 | 282 | 35.7 |
| Modern trade | 472 | 64.7 | 467 | 61.6 | 477 | 60.3 |
| Mobile Unit and Container | 5 | 0.7 | 5 | 0.7 | 6 | 0.8 |
| Subtotal-domestic points of sales | 709 | 97.1 | 735 | 97 | 765 | 96.8 |
| Point of sales in foreign markets | 21 | 2.9 | 23 | 3 | 25 | 3.2 |
| Total | 730 | 100.0 | 758 | 100.0 | 790 | 100.0 |

Watches under “Time Deco”

| By Channel | 2014 | | 2015 | | 2016 | |
|--------------------|-----------|--------------|------------|--------------|------------|--------------|
| | Pos | % | PoS | % | PoS | % |
| Free standing shop | 19 | 21.3 | 25 | 23.1 | 21 | 19.6 |
| Modern trade | 70 | 78.7 | 83 | 76.9 | 86 | 80.4 |
| Total | 89 | 100.0 | 108 | 100.0 | 107 | 100.0 |

Number of point of sales by geography for 2014, 2015 and 2016
Clothing and apparels under “MC GROUP”

| By Geography | 2014 | | 2015 | | 2016 | |
|---|------------|--------------|------------|--------------|------------|--------------|
| | Pos | % | PoS | % | PoS | % |
| Upcountry | 499 | 68.3 | 513 | 67.7 | 545 | 69.0 |
| -Free standing shop | 169 | 23.1 | 191 | 25.2 | 209 | 26.5 |
| -Modern trade | 330 | 45.2 | 322 | 42.5 | 336 | 42.5 |
| Bangkok and vicinities | 205 | 28.1 | 217 | 29.3 | 214 | 27.0 |
| -Free standing shop | 63 | 8.6 | 72 | 9.5 | 73 | 9.2 |
| -Modern trade | 142 | 19.5 | 145 | 19.1 | 141 | 17.8 |
| Mobile Unit and Container | 5 | 0.7 | 5 | 0.7 | 6 | 0.8 |
| Subtotal-domestic point of sales | 709 | 97.1 | 735 | 97 | 765 | 96.8 |
| Point of sales in foreign markets | 21 | 2.9 | 23 | 3 | 25 | 3.2 |
| Total | 730 | 100.0 | 758 | 100.0 | 790 | 100.0 |

Watches under “Time Deco”

| By Geography | 2014 | | 2015 | | 2016 | |
|-------------------------------|-----------|--------------|------------|--------------|------------|--------------|
| | Pos | % | PoS | % | PoS | % |
| Upcountry | 47 | 52.8 | 60 | 55.6 | 57 | 53.5 |
| -Free standing shop | 10 | 11.2 | 14 | 13.0 | 11 | 10.3 |
| -Modern trade | 37 | 41.6 | 46 | 42.6 | 46 | 43.0 |
| Bangkok and vicinities | 42 | 47.2 | 48 | 44.4 | 50 | 46.7 |
| -Free standing shop | 9 | 10.1 | 11 | 10.2 | 10 | 9.3 |
| -Modern trade | 33 | 37.1 | 37 | 34.3 | 40 | 37.4 |
| Total | 89 | 100.0 | 108 | 100.0 | 107 | 100.0 |

Pricing Policy

The Company has put in place pricing policies that determine retail prices of all Mc Group's products which take into account 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 distribute through 2 main sources which are 1) manufacturing factories of its own subsidiaries and 2) outsource manufacturers. Under the current sourcing policy, all basic jeanswears and fashion products that require new bleaching techniques and innovative fabrics that enhance appearance of the products are manufactured from its own subsidiaries while outsource suppliers will be commissioned to produce other lines of products including t-shirts, polo shirts, and accessories such as travel bags, shoulder bags, shoes and hats. In case of overcapacity, The Company also relies on these contract manufacturers. Currently, The Company is seeking production outsourcing

With regard to the sourcing of watch products, The Company acts as the distributor and orders the products directly from foreign brand owners to ensure the match between supply and demand.

MARKETS AND COMPETITION

• Apparel and Lifestyle Product Retail Business in Thailand and ASEAN Economic Community (AEC)

Thailand's economic growth in 2016 was mostly driven by economic stimulus measures from the government, progressing large infrastructure projects that injected money to the system as well as booming tourism sector that supported the expansion in public and private consumption and investment. However, certain negative factors since 2015 still had a major impact to the economy such as severe drought, weak recoveries and economic fluctuations in major and emerging economies and falling commodity prices like oil, metal, and key agricultural products. This led to a decline in export for the 4th year in a row. The National Economic and Social Development Bureau estimated the Gross Domestic Product (GDP) of the country to be approximately 3-4% as the world economy did not recover as expected for both major and emerging economies alike. Sluggish Chinese economy, low commodity prices from declining crude oil prices and drought directly impacted the export of agricultural products such as rice and sugar. Moreover, private consumption estimates were revised down as income in agricultural sector was dented from the drought, worse than expected. This combined with high level of household debt led to a slight improvement in private consumption from 2.1% in 2015 to 2.2% in 2016.

Nevertheless, Thai economy experienced a modest growth of 2.8% driven mainly by domestic demand as supported by government expenditures through monetary stimulus through village fund, local development projects, small public investment projects as well as large infrastructure projects; for example, Pattaya-Mabtapud motorway construction project, double-track railway project, and MRT project. When these investment projects are complete as planned, it will further incentivize private sector to invest and thus lift private confidence and private consumption while inflation rate and interest rates will remain low which would have a positive contribution to real income of consumers.

With the full integration of the ASEAN Economic Community (AEC) since 1 January 2015, ASEAN market was significantly enlarged. This free trade agreement allowed the members to open their service markets to each other and this will boost investment, employment, number of tourists as well as volume and value of border trades. As a result, the retail industry in AEC is likely to expand especially when consumer behavior is changing to a modern society where consumers prefer quality products with good images. Thai apparel and lifestyle product retail businesses with good quality and cost competitiveness are expected to expand further through an emphasis on modern trade channel in provinces with areas bordering other countries.

For the future trend of apparel and lifestyle product retail business, Thailand is still one of the markets with the strongest potential for this business. Despite the unfavorable economic and political situations for consumption, businesses adjusted their strategies to meet the needs of consumers. Sales promotions and other strategies were deployed to push sales and consumers' spending to maintain their market shares and grow their businesses. Alternative sales channels were introduced and cost reduction initiatives were implemented to respond to the situation.

• Alternative Sales Channels Introduction

Thai society has entered into digital society with the change in behaviors of consumers to rely more on e-commerce in searching and purchasing products and services. Electronic devices ranked top in e-commerce volume followed by apparel, clothing and accessories.

E-Commerce is a movement of sales channel from traditional fixed outlets to computers, tablets and

mobile phones. This is considered a critical change in Thai retail business. To catch up with this changing trend to gain competitive advantages as well as expand into this new channel with lower cost, MC GROUP revamped its online channel to respond to the popularity in e-commerce by continuously develop mcshop.com and adjusted strategies in order to attain higher market shares in the long run.

In addition to online channel, direct selling channel shows a promising outlook as a channel that accommodates consumers. This channel allows products to access directly to customers of all groups whether they are working people or the elderly especially areas where sales through modern trade are not possible. Nowadays, direct selling channel is not limited to advertisement through magazines only as digital TV is gaining momentum in attracting consumers. The reason behind the growth in direct selling is that businesses put more efforts in enhancing effectiveness of e-commerce to service their consumers. Website developments, fan pages and mobile applications were created to support this endeavor. MC GROUP did not overlook this trend and started looking for direct selling business partners to expand its business through this channel non-stop.

Last but not least, tourism still plays an important role in moving the Thai economy forward. Tourism industry is deemed a key catalyst to Thailand's economic growth especially as Thailand entered into AEC fully. Thailand has become the center of tourism and aviation where Chinese and other tourists from Asian region visited the country at an increasing rate. Foreign tourists grew meaningfully in the recent years at a rate of 8-10% and generated significant revenue to the country. Therefore, MC GROUP continuously pays more attention to marketing and sales activities for this group of tourists. Outlets were opened in locations with high number of tourists and products and packaging were specifically designed and developed to appeal to these foreign tourists.

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 follow:

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

1.1 Risk from intense competition

Major factors affecting the competition in apparel and lifestyle product business are new entries of both domestic and foreign players, new brand development, price competition, advertising and PR and expansion of sales network to better reach customers.

To strengthen its market access, Mc group has plans to expand in all channels including traditional owned free standing shops and modern trade channel and other alternative channels such as online channel via www.mcshop.com and mobile unit. The channel network expansion will extend the reach to customers through easier access to products as well as enhanced brand awareness.

Furthermore, given its long experience in the business both manufacturing and sourcing,, Mc Group has an edge in quality and cost controls thanks to owned production facilities and tight relationships with suppliers and contract manufacturers. Thus, the products are known for quality and affordability.

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 and lifestyle products business itself. Mc Group took this fact at heart and put efforts on capturing and analyzing customer trends and preferences though 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 helps expedite our product development process to be able to introduce new desirable fashion products to meet customer needs at any time.

2. Business Risks

2.1 Risk from growth strategies

Business plan and growth strategies of Mc Group comprise product diversification, strong product management, new brand development, channel network expansion, production cost reduction and expansion of production to low-cost locations. There strategies are anchored to offer products to reach all groups of customers throughout Thailand. The success of these strategies is key to the performance of the Company.

Mc Group's Board and management team emphasized the importance of these business planning and growth. The Company has taken solid steps in executing business plans and monitoring the progresses of each initiative and strategy systematically through searching and acquiring talents with experience, knowledge, and expertise to be responsible for supervising and evaluating the performance.

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 2016, number of owned free standing shops reached 303 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 product development and 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.

2.4 Risk from rental contract renewal

MC Group normally rents retail 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 contracts as well as helping attract more customers to those department stores or other properties. As a result, the Company believes to continue receiving the support from the property owners in contract renewals in the future.

2.5 Risk from changes in sales contract/agreement

For foreign watch retail 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 from good records of compliance and

customer base expansion 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.

3. 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 users 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 in lesser impacts of volatility of raw material prices to profitability.

SECURITIES INFORMATION AND SHAREHOLDERS

• **Registered Capital and Paid-up Capital**

As of 30 December 2016, 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 2016 is summarized below

| No | Shareholder | Number of Share | % |
|-----|--|-----------------|-------|
| 1. | Ms. Sunee Seripanu | 361,761,100 | 45.22 |
| 2. | MINDO ASIA INVESTMENT LIMITED | 70,000,000 | 8.75 |
| 3. | RBC INVESTOR SERVICES TRUST | 32,720,100 | 4.09 |
| 4. | STATE STREET BANK EUROPE LIMITED | 25,801,780 | 3.23 |
| 5. | Mrs. Pratana Mongkoglul | 22,971,000 | 2.87 |
| 6. | Bualuang Long-Term Equity Fund | 15,324,000 | 1.92 |
| 7. | Mr. Virach Seripanu | 14,800,000 | 1.85 |
| 8. | THAI NVDR CO., LTD | 10,696,100 | 1.34 |
| 9. | HSBC (SINGAPORE) NOMINEES PTE LTD | 10,007,100 | 1.25 |
| 10. | Bualuang Siriphol Corporate Governance | 10,005,600 | 1.25 |

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 47.07% of the Company.

Foreign Limit

The Company has set foreign limit of shareholding at 49% of paid-up capital. As of 30 December 2016, foreign shareholders of the Company held 20.15% of paid-up capital.

| Type of Shareholders | Number of Shares | % |
|----------------------|------------------|--------|
| Thai shareholders | 638,827,468 | 79.85 |
| Foreign shareholders | 161,172,532 | 20.15 |
| 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.

As of 31 December 2016, the Board of Directors consisted of 8 members- 3 executive directors and 5 non-executive directors as summarized below.

| Name | Title/Position | Board Meeting Attendance in 2016 |
|--|--|----------------------------------|
| 1. Mrs. Kaisri Nuengsigkapan ^{1/} | Chairman of the Board of Directors / Chairman of Executive Committee | 4/5 |
| 2. Ms. Sunee Seripanu | Director/ Member of Executive Committee / Chief Executive Officer / Managing Director | 6/6 |
| 3. 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 | 6/6 |
| 4. Mr. Somchai Apiwattanaporn | Independent Director / Chairman of Audit Committee / Chairman of Risk Management Committee | 6/6 |
| 5. Mr. Supasak Chirasavinuprapand | Independent Director/ Member of Audit Committee/ Member of Risk Management Committee/ Member of Nomination and Remuneration Committee | 6/6 |
| 6. Mr. Surasak Khaoroptham | Director/ Chairman of Sustainable Development Committee | 6/6 |
| 7. Mrs.Chananyarak Phetcharat | Independent Director/ Member of Risk Management Committee | 6/6 |
| 8. Mr. Lucksananoi Punkrasamee | Independent Director/ Member of Audit Committee/ Chairman of the Nomination and Remuneration Committee | 6/6 |

Note ^{1/} Mrs. Kaisri Nuengsigkapan was appointed as Director on 21 April 2016
Gen. Vichit Yathip resigned from Director on 30 June 2016

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 4 members equal to 50% 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 1 January 2017^{1/} MC GROUP Plc consists of 5 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 - New Channel Management Sector |
| 4. Ms. Vorarat Laohathanakul | Executive Vice President - Human Capital Management and Organization Development Workgroup |
| 5. Mr. Bundit Praditsuktavorn | Chief Financial Officer |

Note ^{1/} Since the Company changed the management structure on 1 January 2017, the table shows the information as of 1 January 2017 to ensure the most updated information in form 56-1 and annual report.

- Mrs. Narumol Sinhaseni resigned from the company on 31 December 2016.
- Mr. Vichai Singsaksri resigned from Executive Vice President - Standard and Business Compliance Workgroup on 31 Decemb 2016. Currently, he is an advisor of the company.

Roles and Responsibilities of the Chief Executive Officer (CEO)

1. Supervise, manage, operate business and perform regular duties required to undertake business for the best interest of the Company and in accordance with the Company's policies, vision, goals, business plans and budgets as designated by the Board of Directors meetings and/or as assigned by the Executive Committee.

2. Manage the Company's business so that it is in line with its mission as defined by the Executive Committee and corresponds to business plans, budgets and related business strategies as designated by the Board of Directors and/or the Executive Committee.

3. Supervise overall finance, marketing, human resources and other functions according to policies and plans as designated by Board of Directors and/or the Executive Committee.

4. Entitled to hire, appoint, transfer, remove or terminate employees and approve wages and compensations in case of employees ranking lower than executive level as well as delegate any person to perform specific duties.

5. Approve rewards, salary adjustments, compensation, special bonus apart from salary and annual bonus under the approval of the Executive Committee.

6. Negotiate and enter contracts, agreements or transactions related to the usual business of the Company (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 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 2016, 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 2016 Annual General Meeting of Shareholders on 21st April 2016 reached a resolution to approve the following remuneration for directors for the year 2016 as shown below.

| Remuneration for the Board and Sub-Committee | 2016 | |
|--|---|---------------------------------------|
| | 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. Audit Committee | | |
| Chairman | - | 40,000 |
| Member | - | 30,000 |
| 3. Risk Management Committee | | |
| Chairman | - | 30,000 |
| Member | - | 25,000 |
| 4. Nomination and Remuneration Committee | | |
| Chairman | - | 30,000 |
| Member | - | 25,000 |
| 5. Sustainable Development Committee | | |
| Chairman | - | 30,000 |
| Member | - | 25,000 |

For the year 2016, monetary remuneration as actually paid for the Board of Directors totaled 6.4 Million baht. Details of meeting attendance and remuneration for directors are as follow.

| Directors' Name | Title/Position | 2016 Meeting Attendance | | | | Monthly Remuneration for Directors | | | | Subtotal Monthly Remuneration | 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 ^{1/} | Nomination and Remuneration Committee | Sustainable Development Committee | Board of Directors | Audit Committee | Risk Management Committee | Nomination and Remuneration Committee | Sustainable Development Committee | | |
| 1. Mrs. Kaisri Nuengsigkapien ^{2/} | Chairman of the Board of Directors / Chairman of Executive Committee | 4/5 | X | X | X | X | 150,000 | X | X | X | 320,000 | X | X | X | X | X | 470,000.00 |
| 2. Ms. Sunee Serpanu | Director/ Member of Executive Committee / Chief Executive Officer / Managing Director | 6/6 | X | X | X | X | 170,000 | X | X | X | 360,000 | X | X | X | X | 225,267.85 | 755,267.85 |
| 3. Mr. Virach Serpanu | Director/ Member of Executive Committee/ Member of Nomination and Remuneration Committee/ Member of Sustainable Development Committee / Senior Executive Vice President Production Workgroup | 6/6 | X | X | 5/5 | 3/3 | 120,000 | X | 50,000 | 50,000 | 300,000 | X | X | 75,000 | 50,000 | 225,267.85 | 870,267.85 |
| 4. Mr. Somchai Apiwatanapron | Independent Director / Chairman of Audit Committee / Chairman of the Risk Management Committee | 6/6 | 5/5 | 4/4 | X | X | 120,000 | 45,000 | 50,000 | X | 300,000 | 190,000 | 90,000 | X | X | 225,267.85 | 1,020,267.85 |
| 5. Mr. Supasak Chirasavinurapand | Independent Director/ Member of Audit Committee/ Member of Risk Management Committee/ Member of Nomination and Remuneration Committee | 6/6 | 5/5 | 4/4 | 5/5 | X | 120,000 | 30,000 | 50,000 | X | 300,000 | 140,000 | 75,000 | 75,000 | X | 225,267.85 | 1,015,267.85 |
| 6. Mr. Surasak Khaoropham | Director/ Chairman of Sustainable Development Committee | 6/6 | X | X | X | 3/3 | 120,000 | X | X | 50,000 | 300,000 | X | X | X | 60,000 | 225,267.85 | 755,267.85 |
| 7. Mrs.Chananyarak Phetcharat ^{3/} | Independent Director/ Member of Risk Management Committee | 6/6 | X | 3/3 | X | X | 120,000 | X | X | X | 300,000 | X | 75,000 | X | X | X | 495,000.00 |
| 8. Mr.Lucksananoi Punkrasamee | Independent Director/ Member of Audit Committee/ Chairman of the Nomination and Remuneration Committee | 6/6 | 5/5 | X | 5/5 | X | 120,000 | 30,000 | X | X | 300,000 | 140,000 | X | 90,000 | X | X | 680,000.00 |
| 9. Gen. Vichit Yathip ^{4/} | Ex-director | 1/3 | X | X | X | X | 60,000 | X | X | X | 50,000 | X | X | X | X | 225,267.85 | 335,267.85 |
| Total | | X | X | X | X | X | 1,100,000 | 105,000 | 150,000 | 100,000 | 2,530,000 | 470,000 | 240,000 | 240,000 | 110,000 | 1,351,607.10 | 6,396,607.10 |

Note: ^{1/} In January – March 2016, the remuneration for the Risk Management Committee was included in the Audit Committee's remuneration and the shareholders meeting has approved the new directors' remuneration for April 2016 onwards in the 2016 Annual General Meeting of Shareholder on 21 April 2016.

^{2/} Mrs. Kaisri Nuengsigkapien was appointed as Director on 21 April 2016.

^{3/} Mrs.Chananyarak Phetcharat was appointed as Member of Risk Management Committee on 25 February 2016.

^{4/} Gen. Vichit Yathip resigned from Director on 30 June 2016.

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 2016, the Company paid a total of 41.36 million baht for in remuneration to its executives as detailed below.

| Remuneration for Executives | Total Remuneration (Thousand Baht) | |
|--|-------------------------------------|--------|
| | 2015 | 2016 |
| Number of Executives | 6 | 7 |
| Financial Remuneration | | |
| - Salary, bonus and other remunerations | 40,797 | 40,439 |
| - Contributions to provident fund and contribution to social security fund | 817 | 925 |
| Non-Financial Remuneration | None | None |

Employees

Number of Employees^{1/}

As of 31 December 2014, 2015 and 2016, the Company and its subsidiaries had a total of 3,049, 2,890 and 2,865 employees respectively. This can be shown by departments as follow:

| Division | Number of Employees | | | |
|------------------------------|---------------------|--|-------|-------|
| | 2014 | Workgroup | 2015 | 2016 |
| Executives | 7 | Executives | 6 | 7 |
| Production | 1,267 | Production Workgroup | 1,232 | 1,240 |
| Warehouse and distribution | 176 | | | |
| Sales Support | 1,122 | Marketing Workgroup | 1,229 | 1,182 |
| Brands and Marketing | 87 | | | |
| Finance and Accounting | 57 | Marketing Finance and Business Support Workgroup | 77 | 64 |
| Information Technology | 9 | | | |
| Human Resources | 8 | Human Capital Management Workgroup | 18 | 21 |
| Strategic Planning | 4 | Standard and Business Compliance Workgroup | 5 | 24 |
| Other business ^{2/} | 264 | Other business ^{3/} | 280 | 253 |
| Others | 48 | Others | 43 | 74 |
| Total | 3,049 | | 2,890 | 2,865 |

Note ^{1/} The company has updated the number of employees since 2014 due to duplication of data.

^{2/} Other business in 2014 was Time Deco Corporation Co.,Ltd.

^{3/} Other business in 2015 and 2016 was Time Deco Corporation Co.,Ltd. and TOP T 2015 Co.,Ltd.

Total Compensation and Benefits of Employees^{1/}

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.

For the year 2014, 2015 and 2016, the Company and its subsidiaries paid a total compensation of 733.81, 753.9 and 774.5 million baht respectively to its employees including salaries, bonuses, over-time pays and other compensation and benefits.

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 2016, 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.

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

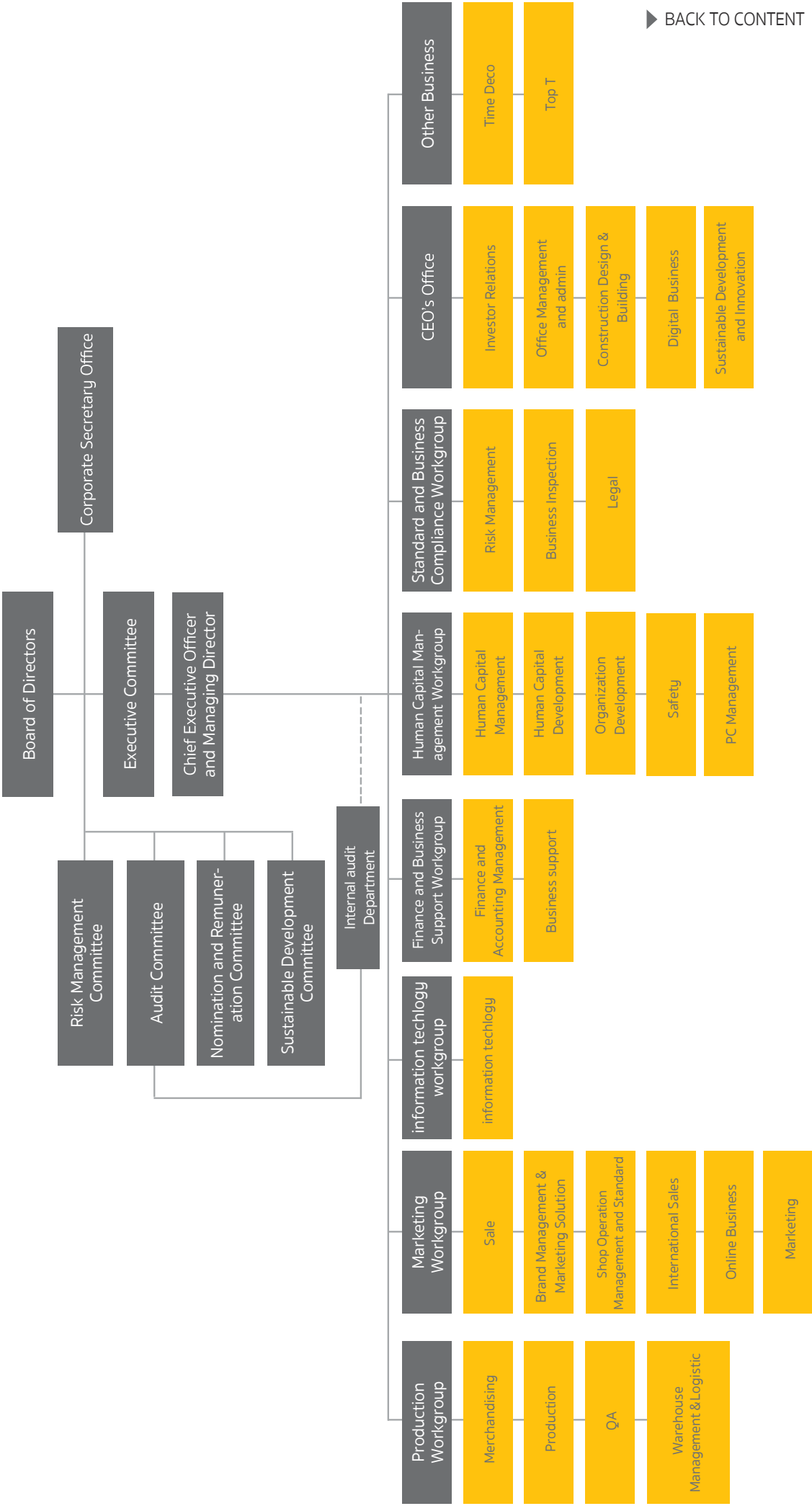
Mc Group regards human resource development as a key success factor of the organization. Happy employees with self-esteem are the type that are ready to create and offer something good for customers, business partners and communities. The critical challenge in human resource management is to develop 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 "MCWAY" is promoted among employees to fortify its strong organization culture.

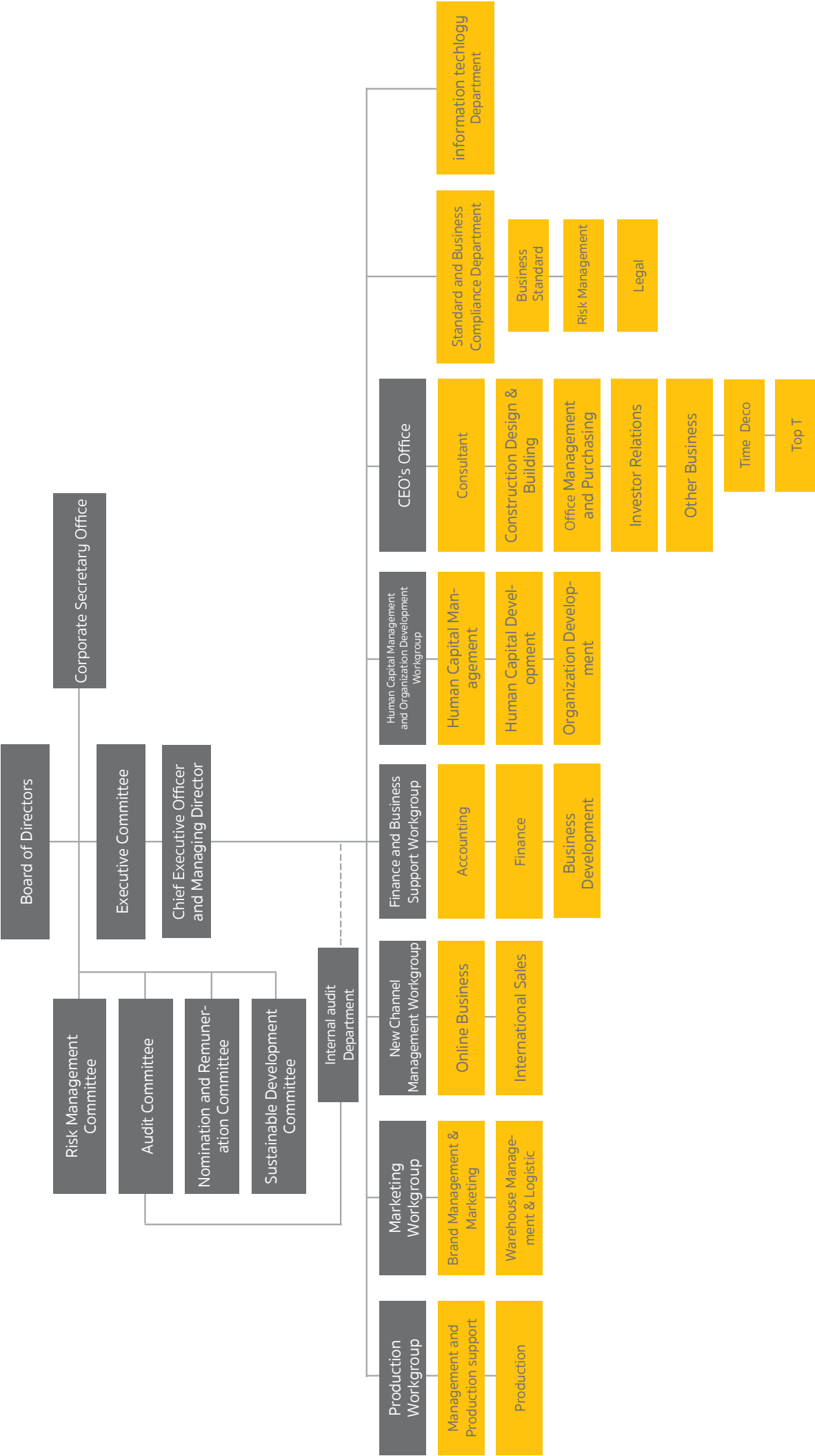
Key principles in human resource development are directly synchronised with business plan. Development of skills, knowledge and competencies of all levels of employees together with proper performance evaluations will enable an effective human resource development plan that positively affects how employees 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.

Note ^{1/}The company has updated the total compensation and benefits of employees due to duplication of data





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 stake-holders.

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 2016 showed that the Company's average score for all 5 sections of corporate governance was at 87 which was at par with the average SET 100 Index (at 86).

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 2016, 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 2016, 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

2016 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 2016 Annual General Meeting of Shareholders on 21st April 2016 at 14:00 hrs at Suvarnabhumi Grand Ballroom, Novotel Suvarnabhumi 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 2016 Annual General Meeting of Shareholders, 573 shareholders including their proxies attended the meeting. This is equivalent to 84.56% 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 Chair-man of the Sustainable Development Committee, the Chief Executive Offer 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 2016 Annual General Meeting of the Shareholders, the Company posted the meeting notice on its website since 22nd March 2016, 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 2016, the Company received a score of 99 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 guide-lines 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, the Company stipulated whistleblower policies that 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
 - 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 2016, 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

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 correctness, 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 2016, 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. To comply with the good corporate governance principles particularly the transparency and fairness of the information disclosure, the Company set a 15 day Quiet Period to refrain from answering any inquiries in regards to the upcoming financial results and guidance prior to the results release. This is to avoid an unfair treatment that could lead to insider information or manipulation of stock prices. The Company announced the quiet period information on the Company's website under IR Calendar.

The Company's investor relations activities during 2016 are summarized as follows:

1. 96 company visits from investors or analysts or through conference
2. 7 investor conferences both locally and in foreign countries.
 - Investor Conference and road show in Thailand 3 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 investor meeting for analysts and investors
5. 6 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

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 re-port 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 ac-counting policies and consistently applies them. Adequate disclosure of information in the foot-notes 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 evaluation of Board's Performance

The Company requires directors to conduct self-evaluations at least once a year to assess their efficiency, performance and other issues in performing their duties in accordance with good corporate governance principles. The process is as follows

- 1) The Nomination and Remuneration Committee reviews evaluation forms to ensure accuracy, completeness and compliance to the rules stipulated by the regulatory authorities.
- 2) The secretary to the Board summarizes the results of the performance evaluation of the Board
- 3) The secretary to the Board reports the results to the Board to take actions in improving efficiency.

The objective of the evaluation of Board's Performance is to emphasize on assessments that can reflect operating efficiency according to good corporate governance principles. There are 2 types of evaluations which are evaluation of the Board as a whole and evaluation of directors on individual basis (self-evaluation). The evaluation criteria and evaluation results of 2016 are shown below.

- 1) Evaluation of the Board as a whole. 7 topics in the evaluation are structure and qualifications of Board member, roles and responsibilities of the Board, Board's meeting, Board's function, relationships between the Board and management, self-development of directors and executive development and responsibilities to stakeholders.

In 2016, overall evaluation score of 7 topics stood at 90.8%. Most directors agreed that number of directors was suitable for the size of business and number of independent director complied with standards specified by regulatory authorities Moreover, subcommittees were formed according to good corporate governance guidelines in order to assist the Board in studying and screening specific issues. There was a sufficient number of committees to take care of important matters to ensure prudent business operations.

- 2) Individual director evaluation (self-evaluation). 7 sections in the evaluation are structure and qualifications of Board member, roles and responsibilities of the Board, Board's meeting, Board's function, relationships between the Board and management, self-development of directors and executive development and responsibilities to stakeholders.

In 2016, overall evaluation score in 7 sections was at 89%. Most directors agreed that directors performed their duties with responsibilities, prudence and honesty in compliance with laws, objectives and rules and regulations of the Company as well as resolutions of the shareholders' meetings. Additionally, directors stated their opinions and made suggestions based on best practices that are beneficial to the Company. Directors also attended the Board of Directors' meetings and subcommittees' meetings regularly.

• The evaluation of Subcommittee’s Performance

The Company arranged evaluations for subcommittee including Risk Management Committee, Audit Committee, Nomination and Remuneration Committee, Sustainable Development Committee in compliance with evaluation guidelines for Thai listed companies of Thai Institute of Directors (IOD). The assessment must be conducted once a year in form of individual evaluation (self-evaluation) to assess efficiency of all subcommittees based on the following process.

- 1) Subcommittees prepare evaluation forms in compliance with good corporate governance principles and guidelines for subcommittees.
- 2) Secretaries of subcommittees summarize and report the results of the performance evaluation of subcommittees to take actions in improving efficiency of the performance.
- 3) The secretary to the Board of Directors reports the results of the evaluation of subcommittees to the Board of Directors.

The results of subcommittees’ evaluation of 2016 are summarized below

Until : Percentage

| Subcommittee | Self-evaluation Score |
|---------------------------------------|-----------------------|
| Audit Committee | 85.5 |
| Risk Management Committee | 100 |
| Nomination and Remuneration Committee | 89.9 |
| Sustainable Development Committee | 69.9 |

The Company summarized and informed the results of the evaluations of the Board of Director and subcommittees to all directors to be used as a framework in considering and reviewing their duties as well as issues and problems. The results were also analyzed and recommendations were applied further improvements and developments.

• Director’s Training

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.

Recently, there were a number of directors attending training programs related to roles and responsibilities of directors. 5 directors enrolled in Director Accreditation Program (DAP) and 7 directors participated in Director Certification Program (DCP) from a total of 8 directors When there are relevant documents informing about the programs related to the Board of Directors, the Company will notify the directors and send them information for their reviews to support their learning.

• New Director Orientation

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, products and services, stock information and shareholders, organization structures and related laws and regulations in order to effectively perform duties as a director of a listed company. In 2016, the Company organized an orientation for 2 new directors which are Mr,Lucksananoi Punkrasamee and Mrs. Kaisri Nuengsigkapien. Preliminarily, the Company distributed the following key documents:

- 1) Scope of responsibilities of the Board of Directors
- 2) Code of Conduct Manual
- 3) Organization Structure and Lists of Executives
- 4) Shareholding Structure of the Group of Companies
- 5) Stock Information and shareholders, certificates and rules and regulations
- 6) Business Plan
- 7) Overall Risk Management
- 8) D&O (Directors & Officers Liability Insurance)

Apart from the above documents, the Chief Executive Officer and Managing Director and the corporate secretary also presented the following information

- 1) Overview of business including company profile and company strategies
- 2) Applicable laws related to director of a listed company
- 3) Structure of the Board of Directors and scope of responsibilities of members.

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, 2016, there are 3 independent directors as follows:

| Name | Title/Position |
|------------------------------------|---------------------------------|
| 1. Mr. Somchai Apiwattanapron | Chairman of the Audit Committee |
| 2. Mr. Supasask Chirasavinuprapand | Audit Committee Member |
| 3. Mr. Lucksananoi Punkrasamee | Audit Committee Member |

Mr.Somchai Apiwattanapron, the Chairman and Mr. Lucksananoi Punkrasamee, 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 2016, Risk Management Committee comprises 3 members as follows

| Name | Title/Position |
|---|---|
| 1. Mr. Somchai Apiwattanapron | Chairman of the Risk Management Committee |
| 2. Mr. Supasask Chirasavinuprapand | Risk Management Committee Member |
| 3. Mrs.Chananyarak Phetcharat ^{1/} | Risk Management Committee Member |

Note ^{1/} Mrs.Chananyarak Phetcharat was appointed as Risk Management Committee Member on 25 February 2016

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 2016, Nomination and Remuneration Committee consists of 3 members as appointed by the Board of Directors, namely:

| Name | Title/Position |
|--|---|
| 1. Mr. Lucksananoi Punkrasamee ^{1/} | Chairman of the Nomination and Remuneration Committee |
| 2. Mr. Supasak Chirasavinuprand | Nomination and Remuneration Committee Member |
| 3. Mr. Virach Seripanu | Nomination and Remuneration Committee Member |

Note ^{1/} Mr.Lucksananoi Punkrasamee was appointed as Chairman of the Nomination and Remuneration Committee on 25 February 2016

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 2016, The Board of Directors appointed 2 members for the Sustainable Development Committee, namely:

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

Ms. Anongnard Wannamas was appointed as the Secretary to the Nomination and Remuneration 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 Chairman of the Executive Committee. As of 31 December 2016, the Executive Committee comprises of 3 members, namely:

| Name | Title/Position |
|--|---------------------------------|
| 1. Mrs. Kaisri Nuengsigkapan ^{1/} | Chairman of Executive Committee |
| 2. Ms. Sunee Seripanu | Member of Executive Committee |
| 3. Mr. Virach Seripanu | Member of Executive Committee |

Note ^{1/} Mrs. Kaisri Nuengsigkapan was appointed as Chairman of Executive Committee Member on 12 May 2016

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 a 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 infor-

mation 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

Information on Changes in Securities Holding of Directors and Management of the Company in 2016 ^{1/}

| Unit : Shares | | | | |
|-----------------------------------|-----------------|-------------|----------|---|
| Director/Management | Previously held | Acquisition | Disposal | Number of Shares as of 31 December 2016 |
| 1. Mrs. Kaisri Nuengsigkapien | 0 | 1,181,600 | 0 | 1,181,600 |
| 2. Ms. Sunee Seripanu | 359,475,300 | 2,285,800 | 0 | 361,761,100 |
| 3. Mr. Virach Seripanu | 14,800,000 | 0 | 0 | 14,800,000 |
| 4. Mr. Somchai Apiwattanapron | 0 | 0 | 0 | 0 |
| 5. Mr. Supasak Chirasavinuprapand | 0 | 0 | 0 | 0 |
| 6. Mr. Surasak Khaoroptham | 0 | 0 | 0 | 0 |
| 7. Mrs.Chananyarak Phetcharat | 0 | 10,000 | 0 | 10,000 |
| 8. Mr. Lucksananoi Punkrasamee | 0 | 0 | 0 | 0 |
| 9. Ms. Sangkæe Hanvanich | 533,400 | 0 | 0 | 533,400 |
| 10. Ms. Vorarat Laohathanakul | 0 | 0 | 0 | 0 |
| 11. Mr. Bundit Praditsuktavorn | 0 | 0 | 0 | 0 |

Note: ^{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 2016 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 2016.

Audit fees that the Company paid E Y Office Company Limited This can be divided into 1.12 million baht audit fee for the Company, 1.55 million baht for subsidiaries and 180,000 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 2016 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 governance practices for listed companies as guided by the Stock Exchange of Thailand as well as continuously pursue its corporate social responsibility endeavors.

SUSTAINABLE DEVELOPMENT

With the commitment in 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 treat stakeholders ethically, transparently and under fair competition according to international rules 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 announced anti-corruption policy and guidelines for giving or accepting financial assistance, gifts, receptions or donations for charity or public interests including no gift policy during festive season 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 ensures strict compliance to prevent corruptions. To affirm the Company's anti-corruption intention, the Company signed a joint declaration with the "Thai Private Sector's Collective Action Coalition for Anti-Corruptions" and issued publications promoting anti-corruption policies to educate and inform its employees and business partners to conform to the policies.

In addition, the Company included Code of Conduct 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.

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.

Furthermore, the Company put in place policies and channels for complaints for all stakeholders to inquire information, file complaints, submit comments/clues on illegal activities, accuracy of financial statements, shortfalls of internal control or other misconducts of the Company to the Chairman of the Audit Committee. The channels are as follow:

E-mail : auditcommittee@mcgroupnet.com

Mail: To Chairman of Audit Committee, MC GROUP PLC.

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

The complaints will be kept confidential and there are measures to protect whistleblowers to make sure that they will not be affected from giving or exposing information of any illegal activity directly or indirectly.

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 hired disabled employees and assigned them to suitable positions to promote equality, diversity and non-discrimination in the organization as well as offer occupations for people with disability.

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

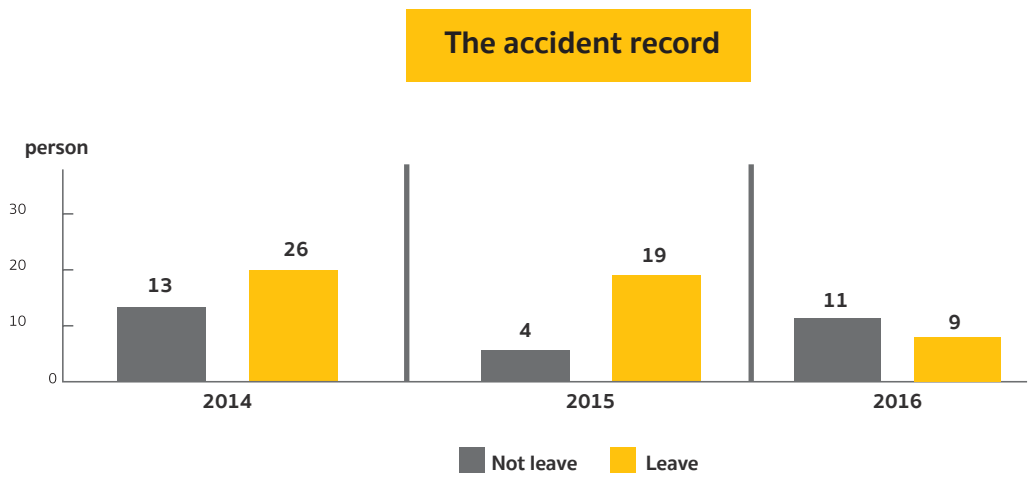
The Company treats employees equally and fairly by providing fair and reasonable remunerations and benefits that match their knowledge, capability, responsibility and individual performances. Compensations and benefits offered are greater than as required by law. Provident funds, group health insurance, annual health check-up, 5S activity, safe working environment, educational scholarships for employees' children are provided to employees. The Company also participated in a pilot organization development project on preterm labor prevention for pregnant employees. These compensations and benefits are rewarded based on the Company's performance and performance of individual employee as well as competitiveness with others related industries. Additionally, the Company pays variable bonuses to employees when profit targets are met.

Quality of Life and 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 purchase of fire gears, and its safety training such as an regular fire drills with proper plans and formats using codes. These procedures are in accordance with safety and environmental standards and other related regulations under new laws. Furthermore, safety trainings are regularly conducted internally such as environment, health and safety and working condition for employees course, basic firefighting training and fire drill as well as through external agencies; for example an academic seminar “Eco Innovation and Solution 2016”, earthquake and fire preparedness for big, tall or residential buildings in Bangkok course and National Safety Day training.

Moreover, other safety and hygiene measures were implemented such as water quality test, condition improvement for male and female toilets to be more hygienic and suitable for use, Factory 1 emergency light replacement in order that all employees are safe and healthy according to 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.

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 |

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. MC Academy stresses on human capital development covering employees of all levels. For instance, career path and promotion plan were arranged for salesforce in particular to enhance their competencies to be competitive with leading companies and aligned with business growth and requirements to enhance competitive advantage at present and in the future.

The company emphasize on employee’s potential and capability development seriously and continuously. In 2016, the company supported employees in developing their working skill through 90 training courses or 2,687 training hours per year approximately.

In addition to the above, the Company encourages employees to participate and voice their opinions in the annual Employee Opinion Survey (EOS) conducted in 2016 so that the information received and the results will be used for future improvements to become a “happy workplace”. Also, the survey led to recommendations and improvements on employee’s welfare and benefits. The Company supported the set-up of Employees’ Welfare Committee (EWC) where elected employees represent all employees in welfare matters in accordance to the Labor Protection Law BE2541.

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.

In 2016, products under Mc Jeans brand were given “Premium Products of Thailand” award from Thai Industrial Standards Institute (TISI), Ministry of Industry. This is good evidence on the Company's focus on quality of products that gain trusts among consumers.

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 dyeing 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_x), nitrogen oxide (NO_x) and carbon monoxide (CO_x). 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 dyeing are categorized and updated on Safety Data Sheets (SDS) to divide into each level of danger according to guidelines from the Department of Industrial Works and the National Fire Protection Association (NFPA). The Company follows the standards of chemical storage with the control of 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.

Besides the mentioned initiatives, in 2016 the Company started the following environmental programs

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.

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.
6. Specified new standard length of inseams by measuring from the middle of the crotch to the rim of the legs depending on the forms of male and female pants. Customers do not have to wait to cut the legs and this also saves fabrics used in the production. This resulted in overall cost reduction of 0.5-0.7%

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 offices and factories. The replacement was already completed at Factory 1 and it led to some electricity saving.
4. Added green spaces as appropriate by planting more trees in all properties of the Company.
5. Prepared plan and budget to improve pollution control from spraying activity in bleaching and dyeing facility to be more efficient. The plan will be implemented in February 2017.

7) Community and Social Development

Through its clear vision and mission, the Company is committed to doing business successfully by satisfying all stakeholders alongside with fostering corporate social responsibility. The Company regards the responsibilities for community and society and as its key mission and relentlessly initiate projects and activities that help develop the communities and the society.

In 2016 the Company continued to contribute\ to communities and the society through various projects and was acclaimed from related government agencies as a good example in developing the society and the country or so-called civil state.

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 resources 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 honor that endeavor.

The main objective of the project is to offer an opportunity for residents in the communities close to the Company to participate in the project. The program educates and trains 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 nearby people in Prawet district and other interested people to join the training every Saturday from 09.00-16.00 hrs. for 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.

In 2016, the Company received a good collaboration from Community Development and Social Welfares Department of Prawet District, Bangkok and 2 communities near the Company's properties and successfully completed the project and satisfactorily met all objectives. There 2 c projects are Mc Sewing Training for Occupation Development #2 with Khlong Paklak Wattana community in Dokmai, Prawet District, Bangkok from 30 April 2016-18 June 2016 and Mc Sewing Training for Occupation Development #3 with Kwan Riam Sewing Group, Prawet District, Bangkok (a National 5-Star OTOP product community) from 23 July 2016-17 September 2016.

From the assessment of Mc Sewing Training for Occupation Development #2 and #3 mentioned, the programs showed a satisfactory result as the knowledge and experience gained are practical and useful to the people. The participants can apply the knowledge in sewing and fixing clothes in their everyday lives as well as generate additional income to help their families. Moreover, there were a number of organizations that were interested and requested collaboration from the Company to run the program for other communities.



Mc Smart Project # 2

Mc Smart Project #2 was organized during August 2016 – March 2017, following the first project initiated in 2015 to celebrate the 40th year of Mc Jeans. For this initiative, MC GROUP PUBLIC COMPANY LIMITED and Thailand Institute of Innovation and Trade Value Creation Promotion (formerly Thailand Institute of Design and Innovation Promotion, Department of International Trade Promotion (DITP), Ministry of Commerce share the aspiration to create practical arts, designs, or fashion items with values using jeans remnants and other waste materials from making Mc Jeans' bottoms.

From the success of Mc Smart Project #1 which received much attention and good participation from students and general public to submit their works, MC GROUP PUBLIC COMPANY LIMITED and DITP were keen to progress on the project for the 2nd year under clear objectives as follow:





Motivation : To motivate people who love to design by offering opportunity or platform to showcase their creativity.

Creative : To develop and enhance creative skills and capabilities.

Social Responsibility : To foster social responsibility in environmental conservation through the use of recycled materials in creating valuable and useful works

Maximization : To promote the value of resource maximization in production.

ART : To promote the development and creation of valuable art pieces that are practical in everyday life.

Last but not least, the Company also engaged in other initiatives that promoted social responsibility as outlined below.

- “Old Calendars, New Stories” Project to donate old desk calendars to Foundation for The Blind in Thailand under the Royal Patronage of H.M. the Queen.

- Computer Donation for the Education of the Blind Project for Foundation for the Blind in Thailand under the Royal Patronage of H.M. the Queen.

“Mc Social Volunteer” Project to donate computers for education for Khlong Napong School, Pachuk , Muang, Uttaradit.



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 Robinson Department Store Public Company Limited is composed of 3 independent qualified members: Mr. Somchai Apiwattanaorn, chairman of Audit Committee and Mr. Lucksananoi Punkrasamee, member of Audit Committee who has adequate expertise and experience to review creditability of the financial reports. In 2016 there were 5 meetings. All audit committee members attended every meeting, details of which are as follows:

| Name | Position | Meeting Attendance |
|---------------------------------|---------------------------------|--------------------|
| Mr. Somchai Apiwattanaorn | Chairman of the Audit Committee | 5/5 |
| Mr. Supasask Chirasavinuprapand | Member of Audit Committee | 5/5 |
| Mr. Lucksananoi Punkrasamee | Member of Audit Committee | 5/5 |

In each meeting, there is a consultation between executives, certified auditors and internal auditors as deemed appropriate. Opinions and recommendations are freely given. The Audit Committee was meeting with certified auditors, where executives were not allowed to attend and reported its operation to the board of directors. Details of its operation and opinions can be summarized in every quarter as follows:

Correctness, completeness and accountability of financial statement

The Audit Committee reviewed the quarter financial statements and annual financial statement of the year 2016 plus jointly inspected the audit report with executives and certified auditors. Completeness and accountability of the disclosure of financial statements; any possible risk factors; related account standards; changes in account standards; internal control system concerning finance and accountancy; and information technology system are taken into consideration.

The Audit Committee agrees with the auditor that the quarter financial statements and annual financial statement are materially correct, complete and accountable in accordance with generally recognized account standards. Important information is publicized as well as account policy is reasonably chosen.

Sufficiency of internal control system and internal audit

The Audit Committee monitored internal control system to be in line with both Thai and international professional internal audit standard. Risk-Based Audit Method and internal control system under the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Standard are applied. Moreover, computer program is used to enhance its audit work. The Audit Committee considered the annual audit plan, prepared under the risk-based audit plan, as well as a result of internal audit and recommendation thereof. It regularly followed up any action taken by the management pursuant to such recommendation proposed by the internal audit.

Hence, the Audit Committee opines that the Company's internal control system is sufficient and proper. Its internal audit is independent and in accordance with the professional standard.

Compliance with securities and stock exchange laws, regulations of Stock Exchange of Thailand and law relating to the Company's business

The Audit Committee made sure that the Company was constantly in compliance with the law concerning securities and stock exchange, regulations of the Stock Exchange of Thailand and other laws relating to the Company's business including the Company's terms and undertaking which the Company agreed with other third parties.

The Audit Committee is of an opinion that the Company is correctly and completely in compliance with the law concerning securities and stock exchange, regulations of the Stock Exchange of Thailand and other laws relating to the Company's business.

Connected transactions and disclosure

Since the Company deals with many companies, the Audit Committee pays high attention on transactions which may be conflict of interest. Connected transactions or transactions which may be conflict of interest are quarterly considered under the laws and regulations of the Stock Exchange of Thailand. The Committee inquired the auditor and the internal auditor on the accuracy and transparency of

any transaction as well as reasonableness and optimal benefit of the Company. The transaction has to be correctly and completely disclosed in a report to the financial statement.

The Audit Committee opines that reviewed connected transactions are reasonable, fair and optimal benefit to the Company.

Risk management

The Audit Committee reviewed policy and guideline on risk management as well as risk management plan for this year. Report concerning progress of an operation under such plan from the Risk Management Working Team is regularly acknowledged. The risk indicator index was revised and new risk management measures were added. In addition the operation plan is adjusted in order to match with the situation.

The Audit Committee is of an opinion that the Company has proper and adequate risk management system.

Good corporate governance

The Audit Committee continuously supports good corporate governance. It's regularly to be in accordance with the new corporate governance issued in 2012. This is in line with the ASEAN CG Scorecard. Moreover, the Company was assessed in the "Very Good" level from the Corporate Governance Survey of Thai Listed Companies in 2016.

Consideration, selection and nomination of the auditor

The Audit Committee has assessed performance of the auditor for the year 2016, E Y Office Company Limited and viewed that this auditor is independent and its overall performance is satisfying.

Regarding the selection and nomination of the auditor, the Audit Committee, considering audit fee together with readiness to comply with audit standard and audit report presentation.

Overall opinion and remark on performing duties under the charter

On February 15, 2016 the Audit Committee self-assessed its operation for the year 2016 divided into 6 categories: role and duties of the Audit Committee, composition of the Audit Committee, training and resources, meeting, activities of the Audit Committee and relationship with head of internal audit, auditor and executives. The result was that its performance was 85.5%. Its performance is completely complied with the Handbook of the Audit Committee, the Securities and Exchange Commission and the Charter of the Audit Committee.

In sum, the Audit Committee completely performed its task as specified in the charter. The Audit Committee, under an approval from the Board of Directors, opines that the Company has a correct, proper and accountable process concerning preparation and disclosure of financial statements. Its internal control, internal audit and risk management is suitable and efficient. They are complied with laws, regulations and any undertakings. The Company seriously considers before entering into any connected transactions. Its performance is in line with good corporate governance in a proper, transparent and accountable manner. Furthermore, the Company has constantly developed and improved its performance to cope with business environment.

21 February 2017
On behalf of the Audit Committee



(Somchai Apiwattanapron)
The Chairman of the Audit Committee

INTERNAL CONTROL AND RISK MANAGEMENT

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

At the meeting of the Audit Committee No.1/2560 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. Control Environment: The Company encouraged positive work environment by setting proper management structure suitable for 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. Control Activity: 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 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 on a monthly basis and compared with the previous results to analyze root causes of the differences to adjust strategies to attain set goals. Moreover, the Company assigned an internal audit department to review, analyze and evaluate internal control of all systems and processes as well as continuously follow up to ensure internal control adequacy. The internal audit department must report the results of the examination directly to the Audit Committee in case of significant shortfalls, so that corrective actions will be undertaken and the progress of the actions will be monitored regularly.

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 Company has a policy to ensure that internal audit will meet international standards. The Audit Committee appointed Mr. Pinn Pratyakul as the head of internal audit to be responsible for risk evaluation and annual internal audit plan preparation as well as conducting the examination, monitoring of system improvements and reporting directly to the Audit Committee at least quarterly. In the past, the internal audit examined the Company's processes and made observations and recommendations to improve operating efficiency. The management did not neglect and took actions according to the recommendations. The Audit Committee deemed that the head of internal audit 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 2016, 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 2016 (Million Baht) | Rationale |
|---|---|---------------------------------|--|
| 1. Millennium (1975) (previously Mc Co., Ltd.) Relationships: Ms. Sunee Seripanu as majority shareholders and directors | MC GROUP Plc rented land 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 |
| | MC GROUP Plc rented cars for its business operations. | 0.72 | 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. |
| 2. SS Challenge Co., Ltd. Relationships: Ms. Sunee Seripanu as a shareholder | MC GROUP rented lands and Design Center building | 6.2 | 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. Panapat Co., Ltd. Relationships: Mr. Panu Narong chaikul as a shareholder and a director | Time Deco Corporation Limited, a subsidiary rented an office building from Panapat Co., Ltd. | 2.8 | 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. |
| 4. Time Deco Services Co., Ltd. Relationships: Mr. Panu Narongchaikul and Mr. Vararit Plengvanit as shareholders and directors | Time Deco Corporation Limited, a subsidiary used the after-sales service provided by Time Deco Services Co., Ltd. | 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 | |

| Related Party | Type of Transactions | Value as of 2016 (Million Baht) | Rationale |
|--|--|---------------------------------|--|
| 5. Mr. Panu Narongchaikul Relationships: as a shareholder of Time Deco Corporation Limited, a subsidiary | Time Deco Corporation Limited, a subsidiary paid interests to Mr. Panu Narongchaikul | 0.06 | The interest charges were based on market prices. The Audit Committee deemed that the transaction was fair and reasonable. |
| 6. Mr. Vararit Plengvanit Relationships: as a shareholder of Time Deco Corporation Limited, a subsidiary | Time Deco Corporation Limited, a subsidiary paid interests to Mr. Vararit Plengvanit | 0.06 | 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 transac-tions 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

2016 is considered another challenging year for the Company's business as economic situation slowly recovered while consumers are still prudent in spending. The Company focused on the sales revenue and profit expansion with the estimated sales revenue growth of 15% driven by the same-store-sales growth, effective sales channel management, and lower inventory through the better supply chain management.

Throughout 2016, the Company consistently developed and executed a number of interesting, fun and value-for-money sales promotional activities on a weekly basis to boost sales, return to the customers as well as lower inventory level. Since Q2 2016, the Company adjusted its sales promotions to improve profitability with the emphasis on owned free-standing shops as this allows more flexibility and timeliness in launching new promotional campaigns compared to the modern trade channel.

The Company offered more varieties of apparel products to consumers particularly top-wears with modern design and special features such as reflective T-shirts using innovative printing technology that allows the prints to reflect lights and glow in the dark. Furthermore, T-shirts with Dri-Balance technology predominantly used by leading activewear manufacturers were introduced. These T-shirts possess special qualification in absorbing liquids and ventilating air which allow the fabrics to dry up quickly.

With regards to jeanswear, the Company continuously developed products under this category; for example, a new collection of Selvedge Denim or denim with red tab that the Company selected special fabric with an elastic quality to make MC Jeans comfortable to wear. To meet customers' needs for winter collection, the Company also launched denim trucker jackets for ladies using Kaihara, the premium denim fabrics of choice for most leading Japanese brands as rope dyeing technique is used in the production to keeps threads and dyes in good and unique quality.

Regarding lifestyle business, a number of new product models were introduced e.g. new models of travelling luggage and backpacks. During Q4 2016, the Company also premiered two new lifestyle products which are activewear under "UP" brand and skin care products (body lotion and shower gel) under "M&C" brand".

Due to more varieties of apparel product offering and sales promotional campaigns executed throughout the year, the Company's same-store sales growth in 2016 jumped by 11.1% from 2015 compared to 4.4% same-store sales growth in 2015.

In terms of distribution channel in 2016, the Company continued to expand its sales network but at a slower pace compared to the past few years since the existing footprint mostly covers key strategic locations nationwide. Therefore, the Company shifted to emphasize the efficient channel management with focus on profit-making ability, store renovation/modernization, and efficient product distribution. At the same time, the Company also emphasized more on its online channel www.mcshop.com by adding more products, more special sales promotions for online customers as well as communicate more with online customers through social media.

At the end of December 2016, the Company saw net addition of 31 outlets from the end of 2015, ending with 897 points of sales as per the following details:

- **Domestic points of sales increased by 29 to 872 outlets**

- Free standing shops increased by 15 outlet to 303 outlets (including 18 mc mc shops at PTT gas stations)
- Modern trade added 13 outlets to 563 outlets
- Mobile unit added 1 units to 6 units

• International points of sales increased by 2 points of sales to 25 points of sales

For mc mc, the Company-owned free-standing shops in PTT gas stations, the Company slowed down on the expansion during the end of the year as the Company decided to fine tune product assortment before further expansion. Currently, the Company has 18 mc mc shops compared to 10 shops in 2015.

In 2016, total sales revenue increased by 14.0% from 2015 to THB 4,442 mn which is in line with the Company's estimation of 15.0%. Sales revenue from owned free-standing shops grew by 24.3% compared to 2015 and accounted for 56.6% of total sales revenue, up from 51.7% in the previous year. For modern trade channel, revenue contribution stood at 39.0% of total sales revenue, declining from 43.6% in 2015.

The Company reported gross profit of THB 2,430 mn or equivalent to an 11.2% hike from 2015. However, 2016 gross profit margin declined to 54.7% from 56.1% in 2015 due to lower gross profit margin of apparel and watch business. Gross profit margin of apparel business, declined to 55.9% from 57.3% in 2015 due to sales promotional campaigns launched during this year to stimulate consumer spending, to give back to the customers, and to optimize the inventory level. For watch business, the gross profit margin was at 43.2%, down from 46.4% in 2015 due to sales promotional campaigns during the first half of 2016 and clearance sales during the last quarter of 2016.

Selling, general and administrative (SG&A) expenses rose by 7.1% from 2015 due to an increase in the amortization from SAP implementation since early 2016, higher rental and service fees as well as higher personnel expenses. The ratio of SG&A expenses to total sales revenue declined to 35.0% from 37.3% in 2015.

From better operating performance, the Company experienced an 18.3% increase in the earnings before interest, taxes, depreciation and amortization (EBITDA) from the previous year to THB 1,098 mn. The Company's effective tax rate rose to 7.4% in 2016 from 6.0% in 2015 due to the fact that one of the Company's subsidiaries received tax privileges as per the Investment Promotion Act. These tax privileges will gradually expire in 2019 and 2021.

For 2016, the Company reported net profit of THB 843 mn, an increase of 15.1% from 2015 as aforementioned factors. Overall net profit margin stood at 18.8%, rising from 18.5% in the previous year. Apparel business reported a net profit margin of 20.6%, a slight increase from 20.4% from the previous year while watch business experienced a decrease in net profit margin from 3.2% to 5.8%.

Financial Position Analysis

Assets

As of 31 December 2016, the Company held the total assets of THB 5,196 mn compared to THB 5,100 mn as of 31 December 2015. An increase of THB 96 mn in total assets was due to an increase of current investment of THB 409 mn, an increase in account receivables of THB 89 mn, a decrease in inventory of THB 327 mn and a decline in other current assets of THB 75 mn.

Liabilities

As of 31 December 2016, the Company had THB 910 mn in total liabilities, dropping THB 114 mn from THB 1,024 mn as of 31 December 2015. This was a result of a decline in trade payables and other payables of THB 138 mn while there was an increase of THB 23 mn in income tax payables.

Shareholders' Equity

As of 31 December 2016, shareholders' equity of the Company stood at THB 4,286 mn, rising THB 210 mn from THB 4,076 mn as of 31 December 2015. The key factors contributing to this increase were the overall comprehensive income in 2016 totaling THB 850 mn after a dividend payment of THB 640 mn.

Liquidity & Key Financial Ratios

Cash Flows

For 2016, cash and equivalents of the Company experienced a net decrease of THB 9 mn from the following factors:

1) Cash flow from operations of THB 1,199 mn: Due to the expanding business, the Company registered THB 842 mn in profit where THB 1,082 mn is in cash profit. Cash came mainly from sales of finished products that led to a decrease in inventory of THB 340 mn, a decrease in trade payables and other payables of THB 138 mn as well as an increase in account receivables and other receivables of THB 91 mn.

2) Cash flow from investment activities of THB 545 mn: This is mainly due to an increase in current investments of THB 403 mn, the purchase of lands, buildings and equipment for business expansion with the amount of THB 125 mn as well as on intangible assets i.e. computer software with the amount of THB 31 mn.

3) Cash flow from financing activities of THB 663 mn: Dividend payment was made with the amount of THB 640 mn. Moreover, THB 11 mn was used to pay back bank overdrafts and short-term loans from financial institutions and another THB 8 mn for the short-term loans payback to other connected parties.

Financial Ratios

In 2016, the Company's return on equity (ROE) stood at 20.8% while return on asset (ROA) was 16.4%. Both ratios rose from 18.8% and 14.7% from the previous year respectively due to the higher growth in net profit and operating profit compared to the growth in shareholders' equity and total assets.

Regarding liquidity ratios in 2016, the Company had overall finished goods inventory turnover of 362 days, lower from 377 days in 2015. Finished goods inventory turnover of apparel business was 343 days, down from 354 days in 2015 as a result of greater sales from promotional campaigns executed throughout the year as well as better supply chain management. Nevertheless, overall finished goods inventory turnover was higher than the Company's expectation of 345-375 days which was adjusted upward compared to early year expectation of 300-330 days. This is due to the fact that the Company had to adjust its operating plan during Q4 2016 to respond to rising demand of black, white and dark-colored attires due to the national mourning period.

Debt to equity ratio was still very low at 0.21x, down further from 0.25x in 2015 while interest bearing debt to equity was only 0.03x, declined from 0.04x in 2015.

Outlook

The Company set its vision to become a leading business organization in Asia specializing in apparel and lifestyle products through managing a variety of brands. The Company also developed a strategic plan called "GREAT Strategy" with business and financial targets to achieve an average sales revenue growth of 15% annually from 2014 to 2018. GREAT is summarized below:

GR (Growth): Generate growth of sales revenue from key products and develop new lifestyle products using innovations through both of offline and online channels in order to meet demands and match lifestyles of customers as well as maintain leader position for jeans brand in domestic market.

E (Efficiency): Optimize supply chain management, effectively manage operating costs and operate points of sales, further expand online sales channel as well as promote integrated business operations to attain omni channel business model.

A (Asia Brand): Develop dealership programs to strengthen sales agents in foreign territories in Cambodia, Laos, Myanmar and Vietnam (CLMV)

T (Talented Team): Incessantly train and develop talents to enhance their capabilities to

understand and quickly respond to changes in business strategies in order to sustainably support business growth in the long run.

For the year 2017, the Company will still focus on enhancing sales revenue and profitability. Sales revenue is expected to grow at 12%-15% driven mainly from the same-store sales growth while jeans apparel that MC has an expertise and a market leader position will remain its key products. In parallel, the Company will constantly develop and introduce new lines of lifestyle products. MC planned to leverage on its free-standing shops, regional business expansion through sales agents, additional market study on new markets and online channel development that helps generate sales by accommodating customers under changing trends in their lifestyles. 2017 Gross profit margin is expected to be similar to that of 2016. The Company expects to spend THB 70 mn of CAPEX in sales network expansion of 20-25 locations, online channel development and customer relationship management system. The Company expects that at the end of 2017, overall finished good inventory turnover will come down to 315 days.

With regard to watch business operated by Time Deco Corporation Limited “TDC”, a subsidiary that the Company owns 51% shares, the Company recently redesigned the management structure and adjusted business plan in Q4 2016. To respond better to consumers’ needs, more attractive and more value-for-money sales campaigns were executed and new sales channel was added to tap into new customer groups; for example, sales through www.mcshop.com, the online distribution channel of MC and corporate sales. This helps ensure

Income Statement :

| THB millions | Year | | |
|---|--------------|--------------|--------------|
| | 2016 | 2015 | % chg |
| Sales revenue | 4,442 | 3,895 | 14.0% |
| Total revenue | 4,479 | 3,951 | 13.4% |
| COGS | 2,012 | 1,709 | 17.7% |
| Selling expenses | 1,063 | 984 | 8.1% |
| Administrative expenses | 492 | 468 | 5.0% |
| Earnings before share of profit (loss) from JV | 912 | 790 | 15.5% |
| Share of profit (loss) from JV | 6 | 7 | (7.4%) |
| EBIT | 919 | 797 | 15.3% |
| Finance cost | 3 | 6 | (44.3%) |
| EBT | 916 | 791 | 15.7% |
| Income tax expenses | 67 | 47 | 43.9% |
| Net income | 848 | 745 | 13.9% |
| Non-controlling interest | 5 | 12 | (57.2%) |
| Net income to the firm | 843 | 732 | 15.1% |

Balance Sheet :

| (THB millions) | 31-Dec-16 | 31-Dec-15 | % chg |
|---------------------------------|--------------|--------------|----------------|
| Cash and cash equivalent | 1,277 | 877 | 45.7% |
| Account receivables | 787 | 702 | 12.1% |
| Inventory | 1,989 | 2,316 | (14.1%) |
| Other assets | 1,144 | 1,205 | (5.1%) |
| Total assets | 5,196 | 5,100 | 1.9% |
| Account payables | 448 | 554 | (19.1%) |
| Interest-bearing liabilities | 147 | 158 | (7.1%) |
| Other liabilities | 315 | 312 | 0.9% |
| Total liabilities | 910 | 1,024 | (11.2%) |
| Equity attributable to the firm | 4,161 | 3,957 | 5.2% |
| Non-controlling interest | 125 | 119 | 5.4% |
| Shareholders' equity | 4,286 | 4,076 | 5.2% |

Key Financial Ratio :

| Financial Ratios | | | |
|--|-------|---------|---------|
| Liquidity Ratios | | FY 2016 | FY 2015 |
| Current Ratio | times | 4.82 | 4.13 |
| | | FY 2016 | FY 2015 |
| Average Days Receivable | days | 60 | 62 |
| Average Days in Finished Goods Inventory | days | 362 | 377 |
| Average Days Payable | days | 88 | 110 |
| Cash Cycle | days | 335 | 328 |
| Profitability Ratios | | FY 2016 | FY 2015 |
| Gross Profit Margin | % | 54.7 | 56.1 |
| - Apparel business | % | 55.9 | 57.3 |
| - Time Deco | % | 43.2 | 46.4 |
| Net Profit Margin | % | 18.8 | 18.5 |
| - Apparel business | % | 20.6 | 20.4 |
| - Time Deco | % | 3.2 | 5.8 |
| EBITDA Margin | % | 24.5 | 23.5 |
| Return on Equity | % | 20.8 | 18.8 |
| Efficiency Ratios | | FY 2016 | FY 2015 |
| Return on Asset | % | 16.4 | 14.7 |
| Leverage Ratios | | FY 2016 | FY 2015 |
| Interest Bearing Debt to Equity | times | 0.03 | 0.04 |
| Debt to Equity Ratio | times | 0.21 | 0.25 |

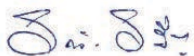
REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES TO FINANCIAL REPORT

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 2016



(Sunee Seripanu)
Director



(Virach Seripanu)
Director

GENERAL INFORMATION

| | |
|--------------------|---|
| Company Name | : MC GROUP Public Company Limited |
| Address | : Head Office 448,450 On Nut Road, Prawet, Prawet, Bangkok 10250 Telephone : 02-329-1050-6 : MC Design Center 2 Sukhaphiban 2 Road Soi 5, Prawet, Prawet, Bangkok 10250 Telephone : 02-117-9999 : MC Studio 4 Sukhaphiban 2 Road Soi 7, Prawet, Prawet, Bangkok 10250 Telephone : 02-117-9999 |
| Website | : www.mcgroupnet.com |
| Registration No. | : 0107556000230 |
| Type of Business | : MC GROUP Public Company Limited's core business is managing sales and distributions of apparel & lifestyle under its own brands and other brands as well as invest in other companies. |
| Registered Capital | : 400,000,000 Baht |
| Paid-up Capital | : 400,000,000 Baht (made up of 800,000,000 common shares) |
| Par Value | : 0.50 Baht |
| Share Registrar | : Thailand Securities Depository Co., Ltd. 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400 : Telephone : 02-009-9000 Fax. : 02-009-9001 |
| Auditor | : E Y Office Company Limited 33rd Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road Klongtoey, Bangkok 10110 Telephone : 0-2264-0777 Fax. : 0-2264-0789-90 : 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

MC GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 31
DECEMBER 2016

Independent Auditor's Report

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

Opinion

I have audited the accompanying consolidated financial statements of MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of MC GROUP PUBLIC COMPANY LIMITED for the same period.

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 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

The Group's revenue mainly consists of revenue from sales of clothes and accessories through different distribution channels to various customers, including a large number of retail shops, under a variety of sales conditions and promotions. The revenue from sales of clothes and accessories is significant to the financial statements of the Group, and during the year 2016, accounted for approximately 90 percent of total revenue of the Group. Therefore, I focused my audit on the measurement and the occurrence of the revenue from sales of clothes and accessories.

I performed audit procedures including assessing and applying a sampling method to test the internal controls of the Company with respect to the revenue cycle of the sale of clothes and accessories. I also read the sales agreements, and on a sampling basis, examined supporting documents for sales transactions occurring during the year and near the end of the accounting period. Moreover, I reviewed credit notes that the Company issued after the period-end and performed comparative analysis on disaggregated data to detect possible irregularities in sales transactions throughout the period.

Goodwill from acquisition of subsidiary

As at 31 December 2016, the Company had an outstanding balance of goodwill from the acquisition of its subsidiary of Baht 108 million, as discussed in Note 15 to the financial statements. I focused on the examination of the estimates of the recoverable value of the cash generating units because in making these

estimates management needed to exercise a high degree of judgement in identifying the cash generating units, estimating the cash inflows expected to be generated from that group of assets in the future and setting an appropriate discount rate and long-term growth rate.

I assessed the identified cash generating units and the selected financial model and gained an understanding of and tested the key assumptions applied by the management in preparing the estimates of cash flows expected to be realised from the group of assets and the discount rate applied by making enquiry of responsible executives and comparing details to information from various sources regarding the Group and the industry.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit pro-

cedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Miss Sumana Punpongsanon.



Sumana Punpongsanon
Certified Public Accountant (Thailand) No. 5872
EY Office Limited
Bangkok: 23 February 2017

MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries

Statement of financial position

As at 31 December 2016

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|-----------------------------------|------|-----------------------------------|---------------|-------------------------------|---------------|
| | Note | 2016 | 2015 | 2016 | 2015 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 7 | 487,320,448 | 496,185,929 | 464,860,750 | 480,824,388 |
| Current investments | 8 | 789,685,115 | 380,420,907 | 789,685,115 | 380,174,061 |
| Trade and other receivables | 6, 9 | 795,886,902 | 707,035,214 | 949,952,121 | 866,101,353 |
| Inventories | 10 | 1,988,659,616 | 2,315,977,990 | 1,957,770,596 | 2,331,734,118 |
| Other current assets | 11 | 53,052,287 | 128,518,706 | 21,664,651 | 58,055,587 |
| Total current assets | | 4,114,604,368 | 4,028,138,746 | 4,183,933,233 | 4,116,889,507 |
| Non-current assets | | | | | |
| Investments in subsidiaries | 12 | - | - | 480,953,304 | 480,953,304 |
| Investments in joint ventrue | 13 | 38,091,445 | 31,859,723 | - | - |
| Long-term loans to related partie | 6 | - | - | 2,805,972 | - |
| Property, plant and equipment | 14 | 422,127,697 | 445,244,810 | 340,292,265 | 343,076,394 |
| Goodwill | 15 | 107,783,356 | 107,783,356 | - | - |
| Intangible assets | 16 | 204,288,015 | 213,308,613 | 204,729,188 | 212,155,229 |
| Deferred tax assets | 23 | 170,635,572 | 154,900,384 | 95,857,492 | 91,303,742 |
| Rental deposits | | 106,548,466 | 100,258,120 | 93,857,576 | 88,008,916 |
| Other non-current assets | 6 | 32,169,293 | 18,566,922 | 31,142,659 | 17,473,912 |
| Total non-current assets | | 1,081,643,844 | 1,071,921,928 | 1,249,638,456 | 1,232,971,497 |
| Total assets | | 5,196,248,212 | 5,100,060,674 | 5,433,571,689 | 5,349,861,004 |

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 2016

| | | (Unit: Baht) | | | |
|--|-------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | Consolidated financial statements | | Separate financial statements | |
| | Note | 2016 | 2015 | 2016 | 2015 |
| Liabilities and shareholder's equity | | | | | |
| Current liabilities | | | | | |
| Bank overdrafts and short-term loans | | | | | |
| from financial institutions | 17 | 146,753,986 | 157,894,172 | - | - |
| Trade and other payables | 6, 18 | 635,261,369 | 773,290,168 | 1,138,508,262 | 1,280,477,009 |
| Current portion of liabilities under finance | | | | | |
| lease agreements | 19 | 226,113 | 146,347 | - | - |
| Short-term loans from related par | 6 | 17,225,942 | 25,572,602 | 16,600,000 | - |
| Income tax payable | | 30,418,654 | 7,164,154 | 18,165,743 | 2,338,520 |
| Other current liabilities | | 24,486,420 | 12,344,388 | 35,435,350 | 3,425,922 |
| Total current liabilities | | 854,372,484 | 976,411,831 | 1,208,709,355 | 1,286,241,451 |
| Non-current liabilities | | | | | |
| Liabilities under finance lease agreements | | | | | |
| - net of current portion | 19 | 352,444 | 328,707 | - | - |
| Provision for long-term employee | 20 | 48,959,423 | 41,497,873 | 28,519,938 | 22,553,217 |
| Other non-current liabilities | 6 | 6,540,130 | 6,254,584 | 1,020,835 | 1,694,898 |
| Total non-current liabilities | | 55,851,997 | 48,081,164 | 29,540,773 | 24,248,115 |
| Total liabilities | | 910,224,481 | 1,024,492,995 | 1,238,250,128 | 1,310,489,566 |

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 2016

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|---------------|-------------------------------|---------------|
| | Note | 2016 | 2015 | 2016 | 2015 |
| Shareholder's equity | | | | | |
| 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 reserv | 21 | 65,000,000 | 65,000,000 | 40,000,000 | 40,000,000 |
| Unappropriated | | 873,549,919 | 669,541,893 | 930,395,923 | 774,445,800 |
| Other components of shareholders' equity | | (2,626,281) | (2,626,281) | - | - |
| Equity attributable to owners of the Compar | | 4,160,849,276 | 3,956,841,250 | 4,195,321,561 | 4,039,371,438 |
| Non-controlling interests of the subsidiaries | | 125,174,455 | 118,726,429 | - | - |
| Total shareholders' equity | | 4,286,023,731 | 4,075,567,679 | 4,195,321,561 | 4,039,371,438 |
| Total liabilities and shareholders' equity | | 5,196,248,212 | 5,100,060,674 | 5,433,571,689 | 5,349,861,004 |

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 2016

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|--|----------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | Note | 2016 | 2015 | 2016 | 2015 |
| Income | | | | | |
| Sales income | 6 | 4,442,067,769 | 3,894,989,149 | 4,062,390,448 | 3,451,068,839 |
| Dividend income | 6 | 4,333 | 7,122 | 719,991,360 | 587,492,950 |
| Interest income | 6 | 3,325,514 | 24,046,199 | 4,245,251 | 25,038,806 |
| Other income | 6 | 33,751,676 | 31,859,059 | 49,379,360 | 44,629,965 |
| Total income | | 4,479,149,292 | 3,950,901,529 | 4,836,006,419 | 4,108,230,560 |
| Expenses | | | | | |
| Cost of sales | | 2,011,624,076 | 1,708,816,793 | 2,561,739,767 | 2,013,249,955 |
| Selling expenses | | 1,063,427,732 | 983,898,760 | 1,019,055,640 | 950,530,022 |
| Administrative expenses | 6 | 491,623,192 | 467,992,229 | 411,393,672 | 387,795,759 |
| Total expenses | | 3,566,675,000 | 3,160,707,782 | 3,992,189,079 | 3,351,575,736 |
| Profit before share of profit from investments in joint venture, finance cost and income tax expense | | | | | |
| Share of profit from investments in joint venture | 13 | 6,266,303 | 6,768,884 | - | - |
| Profit before finance cost and income tax expense | | 918,740,595 | 796,962,631 | 843,817,340 | 756,654,824 |
| Finance cost | | (3,118,108) | (5,593,843) | (139,972) | (4,638) |
| Profit before income tax expenses | | 915,622,487 | 791,368,788 | 843,677,368 | 756,650,186 |
| Income tax expenses | 23 | (67,409,116) | (46,854,818) | (47,727,245) | (39,621,568) |
| Profit for the year | | 848,213,371 | 744,513,970 | 795,950,123 | 717,028,618 |
| Other comprehensive income: | | | | | |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i> | | | | | |
| Actuarial gains - net of income tax | 20, 23.3 | 2,251,321 | 6,225,394 | - | 1,241,302 |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax</i> | | | | | |
| | | 2,251,321 | 6,225,394 | - | 1,241,302 |
| Total comprehensive income for the year | | 850,464,692 | 750,739,364 | 795,950,123 | 718,269,920 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | | 842,859,751 | 732,016,271 | 795,950,123 | 717,028,618 |
| Non-controlling interests of the subsidiaries | | 5,353,620 | 12,497,699 | | |
| | | 848,213,371 | 744,513,970 | | |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | 844,008,026 | 738,240,118 | 795,950,123 | 718,269,920 |
| Non-controlling interests of the subsidiaries | | 6,456,666 | 12,499,246 | | |
| | | 850,464,692 | 750,739,364 | | |
| Earnings per share | | | | | |
| Basic earnings per share | | | | | |
| Profit attributable to equity holder | 25 | 1.05 | 0.92 | 0.99 | 0.90 |

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

Statement of changes in shareholders' equity

For the year ended 31 December 2016

(Unit: Baht)

Consolidated financial statements

| Equity attributable to owners of the Company | | | | | | | | | |
|--|-------------------------------|---|----------------|--|---|---|---|----------------------------------|---------------|
| Issued and fully paid-up share capital | Premium on ordinary shares | Other components of shareholders' equity | | | | Total equity attributable to owners of the Company | Equity attributable to non-controlling interests of the subsidiaries | Total shareholders' equity | |
| | | Retained earnings | | Deficit from the change in the ownership interest in subsidiary | Total other components of shareholders' equity | | | | |
| | | Appropriated | Unappropriated | | | | | | |
| Balance as at 1 January 2015 | 400,000,000 | 2,824,925,638 | 65,000,000 | 531,301,775 | (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 28) | - | - | - | (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) | (14,920) | (21,099) |
| Balance as at 31 December 2015 | 400,000,000 | 2,824,925,638 | 65,000,000 | 669,541,893 | (2,626,281) | (2,626,281) | 3,956,841,250 | 118,726,429 | 4,075,567,679 |
| Balance as at 1 January 2016 | 400,000,000 | 2,824,925,638 | 65,000,000 | 669,541,893 | (2,626,281) | (2,626,281) | 3,956,841,250 | 118,726,429 | 4,075,567,679 |
| Profit for the year | - | - | - | 842,859,751 | - | - | 842,859,751 | 5,353,620 | 848,213,371 |
| Other comprehensive income for the year | - | - | - | 1,148,275 | - | - | 1,148,275 | 1,103,046 | 2,251,321 |
| Total comprehensive income for the year | - | - | - | 844,008,026 | - | - | 844,008,026 | 6,456,666 | 850,464,692 |
| Dividend paid (Note 28) | - | - | - | (640,000,000) | - | - | (640,000,000) | (8,640) | (640,008,640) |
| Balance as at 31 December 2016 | 400,000,000 | 2,824,925,638 | 65,000,000 | 873,549,919 | (2,626,281) | (2,626,281) | 4,160,849,276 | 125,174,455 | 4,286,023,731 |

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 2016

(Unit: Baht)

| | Separate financial statements | | | | Total shareholders' equity |
|---|--|-------------------------------|-------------------|----------------------------|----------------------------------|
| | Issued and fully paid-up share capital | Premium on ordinary shares | Retained earnings | Unappropriated earnings | |
| | | Appropriated | Unappropriated | | |
| Balance as at 1 January 2015 | 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 28) | - | - | - | (600,000,000) | (600,000,000) |
| Balance as at 31 December 2015 | 400,000,000 | 2,824,925,638 | 40,000,000 | 774,445,800 | 4,039,371,438 |
| Balance as at 1 January 2016 | 400,000,000 | 2,824,925,638 | 40,000,000 | 774,445,800 | 4,039,371,438 |
| Profit for the year | - | - | - | 795,950,123 | 795,950,123 |
| Other comprehensive income for the year | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | 795,950,123 | 795,950,123 |
| Dividend paid (Note 28) | - | - | - | (640,000,000) | (640,000,000) |
| Balance as at 31 December 2016 | 400,000,000 | 2,824,925,638 | 40,000,000 | 930,395,923 | 4,195,321,561 |
| | - | - | - | - | - |
| | - | - | - | - | - |

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 2016

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--|-------------------|--------------------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Cash flows from operating activities | | | | |
| Profit before tax | 915,622,487 | 791,368,788 | 843,677,368 | 756,650,186 |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 178,004,499 | 155,124,520 | 143,412,417 | 114,457,409 |
| Dividend income | (4,333) | (7,122) | (719,991,360) | (587,492,950) |
| Interest income | (3,325,514) | (24,045,704) | (4,245,251) | (25,038,806) |
| Long-term employee benefit expenses | 11,692,598 | 12,105,006 | 6,802,711 | 5,763,589 |
| Share of profit from investments in joint venture | (6,266,303) | (6,768,884) | - | - |
| Finance cost | 3,118,108 | 5,593,843 | 139,972 | - |
| Unrealised loss (gain) from changes in fair value of trading investments | (5,800,248) | 5,627,824 | (5,800,248) | 5,614,154 |
| Unrealised loss (gain) on exchange | 42,756 | (26,848) | 42,656 | (4,429) |
| Allowance for doubtful accounts | 2,136,310 | 5,826,838 | 2,136,310 | 5,864,754 |
| Reduction of inventories to net realisable value (reversal) | (12,237,931) | 18,386,302 | (22,576,540) | 26,319,117 |
| Reversal of allowance for impairment loss on intangible assets | (3,095,094) | (5,761,986) | (1,256,353) | (5,153,021) |
| Loss (gain) on disposal of property, plant and equipment | 2,856,024 | 1,100,599 | 2,659,288 | (63,909) |
| Profit from operating activities before changes in operating assets and liabilities | 1,082,743,359 | 958,523,176 | 245,000,970 | 296,916,094 |
| Operating assets (increase) decrease | | | | |
| Trade and other receivables | (91,109,299) | (78,643,732) | (73,608,529) | (100,738,281) |
| Inventories | 339,590,885 | (810,420,634) | 396,540,062 | (1,139,555,917) |
| Other current assets | 75,466,420 | (40,984,652) | 36,390,936 | (34,996,738) |
| Other non-current assets | (19,892,716) | (13,958,715) | (19,517,407) | (14,594,832) |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | (138,072,376) | 103,487,373 | (142,012,259) | 358,721,876 |
| Other current liabilities | 11,903,106 | (1,879,995) | 31,769,088 | (851,170) |
| Other non-current liabilities | 285,552 | (398,510) | (674,063) | 1,493,528 |
| Payment of long-term employee benefits | (1,416,897) | (3,482,899) | (835,990) | (2,718,433) |
| Cash flows from (used in) operating activities | 1,259,498,034 | 112,241,412 | 473,052,808 | (636,323,873) |
| Cash paid for corporate income tax | (60,452,635) | (97,753,261) | (36,453,773) | (69,532,823) |
| Net cash flows from (used in) operating activities | 1,199,045,399 | 14,488,151 | 436,599,035 | (705,856,696) |

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 2016

| | (Unit: Baht) | | | |
|---|-----------------------------------|----------------------|-------------------------------|----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Cash flows from investing activities | | | | |
| Cash received from interest income | 3,446,816 | 37,859,744 | 4,366,552 | 38,852,847 |
| Cash paid for acquisition of property, plant and equipment | (124,722,575) | (150,424,785) | (109,030,439) | (137,859,033) |
| Cash paid for acquisition of intangible assets | (30,926,646) | (100,897,312) | (30,909,846) | (100,897,312) |
| Proceeds from disposal of property, plant and equipment | 10,360,864 | 4,940,578 | 5,335,104 | 1,344,582 |
| Decrease (increase) in short-term investments | (403,463,960) | 1,158,430,849 | (403,710,806) | 1,158,430,849 |
| Cash received from dividend income | 4,333 | 7,122 | 707,491,510 | 703,741,555 |
| Cash received from short-term loans to related parties | - | - | - | 188,549,500 |
| Cash paid for short-term loans to related parties | - | - | - | (191,803,975) |
| Cash paid for long-term loans to related parties | - | - | (2,805,972) | - |
| Cash paid for investments in joint venture | - | (15,299,900) | - | - |
| Cash paid for investments in subsidiaries | - | (21,099) | - | (16,021,100) |
| Net cash flows from (used in) investing activities | (545,301,168) | 934,595,197 | 170,736,103 | 1,644,337,913 |
| Cash flows from financing activities | | | | |
| Cash paid for Interest expenses | (3,119,709) | (5,686,868) | (139,972) | - |
| Cash paid for dividend | (639,767,223) | (600,011,870) | (639,758,804) | (600,003,425) |
| Increase (decrease) in short-term loans from financial institutions | (11,140,186) | 2,475,846 | - | - |
| Cash paid for liabilities under finance lease agreements | (235,934) | (4,078,304) | - | - |
| Increase (decrease) in short-term loans from related parties | (8,346,660) | - | 16,600,000 | - |
| Net cash flows used in financing activities | (662,609,712) | (607,301,196) | (623,298,776) | (600,003,425) |
| Net increase (decrease) in cash and cash equivalents | (8,865,481) | 341,782,152 | (15,963,638) | 338,477,792 |
| Cash and cash equivalents at beginning of the year | 496,185,929 | 154,403,777 | 480,824,388 | 142,346,596 |
| Cash and cash equivalents at end of the year (Note 7) | 487,320,448 | 496,185,929 | 464,860,750 | 480,824,388 |
| | - | - | - | - |
| Supplemental cash flows information | | | | |
| Non-cash item | | | | |
| Actuarial gains on defined benefit plan | 2,814,151 | 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 2016

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 2016, the Company's major shareholder is Khun Sunee Seripanu which holds 45.22 percent (2015: 44.93 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 | Nature of business | Country of incorporation | Percentage of shareholding | |
|---------------------------------------|--|--------------------------|----------------------------|--------------------------|
| | | | <u>2016</u> (Percent) | <u>2015</u> (Percent) |
| Direct subsidiaries | | | | |
| P.K.Garment (Import-Export) Co., Ltd. | Manufacturing of clothing | Thailand | 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 | Thailand | 99.97 | 99.97 |
| WoWme Limited | Distribution of goods and service via online channel | Thailand | 99.97 | 99.97 |
| MC INTER LIMITED | Support for business operation and investment in foreign country | Hong Kong | 100.00 | 100.00 |

| Company's name | Nature of business | Country of incorporation | Percentage of shareholding | |
|-------------------------------|---|--------------------------|----------------------------|--------------------------|
| | | | <u>2016</u> (Percent) | <u>2015</u> (Percent) |
| Look Balance Co., Ltd. | Holdings company | Thailand | 99.98 | 99.98 |
| MC Jeanious Co., Ltd. | Holdings company | Thailand | 99.99 | 99.99 |
| Indirect subsidiary | | | | |
| Time Deco Corporation Limited | Import and distribution of the 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

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

During the current year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become 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, 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 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 financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. 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 management of the Company and its subsidiaries believe that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

At present, the management of the Company and its subsidiaries is evaluating the impact of this standard to the financial statements in the year when it is adopted.

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 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, 5 and 10 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 individuals or enterprises 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 or enterprises 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.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

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 they are 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:

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.

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 Company Limited even though the subsidiary holds 51 percent 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.

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.

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 which had significant business transactions during the years 2016 and 2015 are summarised below.

| Name of related parties | Country of 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 related party since July 2015) |

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 fund |
| Rental and service fee | Contractual price |
| Purchase of equipment and motor vehicles | 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 | |
| | 2016 | 2015 | 2016 | 2015 |
| <u>Transactions with subsidiaries</u> | | | | |
| (Eliminated from the consolidated financial statements) | | | | |
| Sales or rendering of services | - | - | 27,849 | 786 |
| Purchase of goods or receiving of services | - | - | 1,552,542 | 1,799,295 |
| Dividend income | - | - | 719,991 | 587,493 |
| Interest income | - | - | 923 | 995 |
| Other income | - | - | 24,916 | 27,107 |
| Other expenses | - | - | 665 | 3,342 |
| Interest expenses | - | - | 140 | - |
| Purchase of equipment and motor vehicles | - | - | 1,000 | - |
| Personnel service expenses | - | - | 371,990 | 353,922 |
| <u>Transactions with joint venture</u> | | | | |
| Purchase of goods | 67,125 | 86,157 | 67,125 | 86,157 |
| Other income | 8,736 | 6,189 | 8,736 | 6,189 |
| <u>Transactions with related parties</u> | | | | |
| Sales or rendering of services | 2,017 | 5,031 | - | - |
| Other expenses | 13,667 | 15,731 | 8,747 | 7,500 |
| <u>Transactions with key management personnel</u> | | | | |
| Key management personnel compensation | | | | |
| Short-term employee benefits | 44,616 | 37,857 | 42,949 | 35,357 |
| Post-employment benefits | 3,248 | 2,666 | 3,048 | 2,276 |
| Other | 1,662 | 1,091 | 1,662 | 1,091 |
| Total key management personnel compensation | 49,526 | 41,614 | 47,659 | 38,724 |

The balances of the accounts as at 31 December 2016 and 2015 between the Company and those related parties are as follows:

| | | (Unit: Thousand Baht) | | | |
|---|--------|--------------------------------------|---------|----------------------------------|---------|
| | | Consolidated financial statements | | Separate financial statements | |
| | | 2016 | 2015 | 2016 | 2015 |
| <u>Trade and other receivables - related parties (Note 9)</u> | | | | | |
| Subsidiaries | - | - | - | 235,902 | 231,355 |
| Joint venture | 8,030 | 4,809 | 7,816 | 4,809 | |
| Related companies | 629 | 761 | - | - | |
| Total trade and other receivables - related parties | 8,659 | 5,570 | 243,718 | 236,164 | |
| <u>Other non-current assets - related parties</u> | | | | | |
| Related companies | 1,698 | 1,698 | 510 | 510 | |
| <u>Long-term loans to related parties</u> | | | | | |
| Subsidiaries | - | - | 2,806 | - | |
| <u>Trade and other payables - related parties (Note 18)</u> | | | | | |
| Subsidiaries | - | - | 765,681 | 728,788 | |
| Joint venture | 22,350 | 64,273 | 22,350 | 64,273 | |
| Related companies | 8,385 | 7,593 | 791 | - | |
| Directors | 76 | 104 | 76 | 76 | |
| Total trade and other payables - related parties | 30,811 | 71,970 | 788,898 | 793,137 | |
| <u>Short-term loans from related parties</u> | | | | | |
| Key management personnel | 17,226 | 25,573 | - | - | |
| <u>Other non-current liabilities - related parties</u> | | | | | |
| Related companies | - | - | 58 | 824 | |

Long-term loans to related party

As at 31 December 2016, the balance of long-term loans between the Company and the related party and the movement during the year 2016, are as follows:

| | | (Unit: Thousand Baht) | | | |
|---------------------------------------|------------------------------------|------------------------------------|----------|----------|--------------------------------------|
| | | Separate financial statements | | | |
| | | Balance as at 1 January 2016 | Increase | Decrease | Balance as at 31 December 2016 |
| Long-term loans | Interest rate per annum | | | | |
| Subsidiary | | | | | |
| WoWme Limited | 3.73% , 3.63% , 3.50% and 3.25% | 26,258 | 2,806 | - | 29,064 |
| Less: Allowance for doubtful accounts | | (26,258) | - | - | (26,258) |
| Long-term loans to related party, net | | - | 2,806 | - | 2,806 |

Short-term loans from related parties

As at 31 December 2016, the balance of short-term loans between the Company and those related parties and the movement during the year 2016 are as follows:

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | |
|---|----------------------------|------------------------------------|----------|----------|--------------------------------------|
| Short-term loans | Interest rate per annum | Balance as at 1 January 2016 | | | Balance as at 31 December 2016 |
| | | | Increase | Decrease | |
| Key management personnel | 4% | 25,573 | - | (8,347) | 17,226 |
| Total short-term loans from related parties | | 25,573 | - | (8,347) | 17,226 |

(Unit: Thousand Baht)

| | | Separate financial statements | | | |
|---|---------------|-------------------------------|----------|----------|---------------|
| | Interest rate | Balance as at | | | Balance as at |
| | per annum | 1 January | | | 31 December |
| Short-term loans | | 2016 | Increase | Decrease | 2016 |
| Subsidiary | | | | | |
| Look Balance Co., Ltd. | 3.25% | - | 8,600 | - | 8,600 |
| Winner Man Co., Ltd. | 3.25% | - | 8,000 | - | 8,000 |
| Total short-term loans to related parties | | - | 16,600 | - | 16,600 |

Significant agreements with related parties

As at 31 December 2016, 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 (ceased being a related party since July 2014) has conveyed the 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 2.3 million per annum and the rental rate since 1 January 2016 was totaling Baht 2.4 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 (ceased being a related party since July 2014) has conveyed the 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 remain the same. The services fee since 1 January 2015 was totaling Baht 1.5 million per annum and the services fee since 1 January 2016 was totaling Baht 1.6 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.

On 31 March 2015, the Company canceled the building rental agreement with a subsidiary.

On 1 April 2015, the Company made the amendment to the building rental agreement which for office space in the rental rate since 1 January 2016 was Baht 0.7 million per annum. The term of this agreement has a period of 1 year and 9 months 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 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 July 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 September 2018 of 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 these agreements without a cancellation fee.

On 1 October 2015, the Company has entered into an office rental and service agreement with a related company at the total rental and service rate of Baht 1.03 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 October 2015, the Company has entered into a car park area rental agreement with a related company at the total rental and service rate of Baht 0.6 million per annum. The term of this agreement is for a period of 9 years and is renewable for a further 10 years. Under this agreement, only the Company has the right to cancel this agreement without a cancellation fee.

Personnel service agreement

On 1 September 2012, the Company has entered into personnel service agreement with a subsidiary whereby such subsidiary has agreed to provide 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 totalling 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 at amount of Baht 4.5 million per annum. 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 the joint venture agreed that within 3 years after the effective date of these agreements, both side shall have no right to cancel these agreements except both side are agreed 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 per annum | The assets transferred date |
|-----------------------------|---------------------------|---------------|------------|----------|----------------------|---|
| (1) PK3 Extension | Warehouse | Related party | Subsidiary | 10 years | Baht 2.1 million | Within July 2014, however, the agreement is terminated during the year. |
| (2) PK Bangpakong Extension | Manufacturing of clothing | Related party | Subsidiary | 10 years | Baht 5.1 million | Within February 2015, however, the agreement is terminated during the year. |

7. Cash and cash equivalents

(Unit: Thousand Baht)

| | Consolidated financial statement | | Separate financial statement | |
|----------------------------------|-------------------------------------|----------------|---------------------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Cash | 25,166 | 20,557 | 24,431 | 19,644 |
| Bank deposits - current accounts | 462,154 | 475,603 | 440,430 | 461,180 |
| Bank deposits - saving accounts | - | 26 | - | - |
| Total | <u>487,320</u> | <u>496,186</u> | <u>464,861</u> | <u>480,824</u> |

As at 31 December 2016, bank deposits in current accounts and saving accounts carried interests between 0.00 and 1.15 percent per annum (2015: between 0.00 and 1.80 percent per annum).

8. Current investments

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|---------|---------------------|---------|
| | Consolidated | | Separate | |
| | financial statement | | financial statement | |
| | 2016 | 2015 | 2016 | 2015 |
| Short-term deposits at financial institutions | - | 100,000 | - | 100,000 |
| Equity securities held for trading - Unit trusts | 789,685 | 280,421 | 789,685 | 280,174 |
| Total | 789,685 | 380,421 | 789,685 | 380,174 |

Movements during the years ended 31 December 2016 and 2015 of marketable equity were as follows.

| | (Unit: Thousand Baht) | | | |
|---------------------------|-----------------------|-------------|---------------------|-------------|
| | Consolidated | | Separate | |
| | financial statement | | financial statement | |
| | 2016 | 2015 | 2016 | 2015 |
| <u>Trading securities</u> | | | | |
| At 1 January | 280,421 | 544,480 | 280,174 | 544,219 |
| Purchases during the year | 1,160,123 | 790,000 | 1,160,123 | 790,000 |
| Sales during the year | (656,659) | (1,048,431) | (656,412) | (1,048,431) |
| Valuation adjustment | 5,800 | (5,628) | 5,800 | (5,614) |
| At 31 December | 789,685 | 280,421 | 789,685 | 280,174 |

9. Trade and other receivables

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|---------|----------------------|---------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| <u>Trade receivables - related parties</u> (Note 6) | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | - | - | 17,737 | 527 |
| Past due | | | | |
| Less than 3 months | - | 761 | 3,532 | 297 |
| 3 - 6 months | - | - | 2,928 | 124 |
| 6 - 12 months | - | - | 633 | 13 |
| Over 12 months | - | - | 11 | 17 |
| Total trade receivables - related parties | - | 761 | 24,841 | 978 |
| <u>Trade receivables - unrelated parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 514,661 | 542,282 | 459,649 | 474,922 |
| Past due | | | | |
| Less than 3 months | 234,127 | 173,272 | 215,275 | 169,632 |
| 3 - 6 months | 49,000 | 21,548 | 48,332 | 21,238 |
| 6 - 12 months | 25,978 | 7,258 | 19,934 | 7,185 |
| Over 12 months | 16,859 | 8,504 | 11,710 | 3,369 |

| | Consolidated | | (Unit: Thousand Baht) | |
|--|----------------------|----------|-----------------------|----------|
| | financial statements | | Separate | |
| | 2016 | 2015 | 2016 | 2015 |
| Total | 840,625 | 752,864 | 754,900 | 676,346 |
| Less: Allowance for sales return and allowance for doubtful accounts | (53,656) | (51,520) | (48,666) | (46,530) |
| Total trade receivables | | | | |
| - unrelated parties, net | 786,969 | 701,344 | 706,234 | 629,816 |
| Total trade receivables, net | 786,969 | 702,105 | 731,075 | 630,794 |
| <u>Other receivables</u> | | | | |
| Other receivables - related parties (Note 6) | 8,659 | 4,809 | 18,879 | 47,688 |
| Other receivables - unrelated parties | 259 | - | - | - |
| Interest receivables - unrelated parties | - | 121 | - | 121 |
| Dividend receivables (Note 6) | - | - | 199,998 | 187,498 |
| Total other receivables | 8,918 | 4,930 | 218,877 | 235,307 |
| Trade and other receivables, net | 795,887 | 707,035 | 949,952 | 866,101 |

10. Inventories

| | (Unit: Thousand Baht) | | | | | |
|------------------|-----------------------------------|-----------|--|----------|-------------------|-----------|
| | Consolidated financial statements | | | | | |
| | Cost | | Reduce cost to net realisable value | | Inventories - net | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Finished goods | 1,811,413 | 2,163,590 | (35,723) | (47,011) | 1,775,690 | 2,116,579 |
| Work in process | 69,692 | 83,150 | - | - | 69,692 | 83,150 |
| Goods in transit | 17,123 | 16,040 | - | - | 17,123 | 16,040 |
| Raw materials | 129,863 | 104,867 | (3,708) | (4,658) | 126,155 | 100,209 |
| Total | 2,028,091 | 2,367,647 | (39,431) | (51,669) | 1,988,660 | 2,315,978 |

| | (Unit: Thousand Baht) | | | | | |
|-----------------|-------------------------------|-----------|--|----------|-------------------|-----------|
| | Separate financial statements | | | | | |
| | Cost | | Reduce cost to net realisable value | | Inventories - net | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Finished goods | 1,989,512 | 2,386,029 | (32,147) | (54,724) | 1,957,364 | 2,331,305 |
| Work in process | - | 429 | - | - | - | 429 |
| Raw materials | 407 | - | - | - | 407 | - |
| Total | 1,989,919 | 2,386,458 | (32,147) | (54,724) | 1,957,771 | 2,331,734 |

During the year 2016, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 12 million (The Company only: Baht 23 million), and reduced the amount of inventories recognised as expenses during the year. In addition during the year 2015, the Company and its subsidiaries reduced cost of inventories by Baht 18 million (2015: Baht 26 million), to reflect the net realisable value. This was included in cost of sales.

11. Other current assets

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|---------|---------------------|--------|
| | Consolidated | | Separate | |
| | financial statement | | financial statement | |
| | 2016 | 2015 | 2016 | 2015 |
| Other receivables - revenue department | 19,946 | 82,560 | - | 32,144 |
| Prepaid expenses | 17,312 | 22,064 | 12,139 | 7,998 |
| Advance to suppliers | 70 | 8,980 | 5 | 8,930 |
| Input VAT suspense | 2,581 | 3,592 | 1,624 | 2,782 |
| Advance to employees | 3,410 | 2,198 | 3,293 | 2,050 |
| Others | 9,733 | 9,125 | 4,604 | 4,152 |
| Total | 53,052 | 128,519 | 21,665 | 58,056 |

12. Investments in subsidiaries

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

| Company's name | (Unit: Thousand Baht) | | | | | | | |
|---|-----------------------|---------|-------------------------|--------|---------|---------|-----------------------------------|---------|
| | Paid-up capital | | Shareholding percentage | | Cost | | Dividend received during the year | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | | (%) | (%) | | | | |
| P.K.Garment (Import-Export) Co., Ltd. | 250,000 | 250,000 | 99.99 | 99.99 | 249,996 | 249,996 | 719,991 | 587,493 |
| 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 | 99.98 | 212,957 | 212,957 | - | - |
| MC Jeanious Co., Ltd. | 16,000 | 16,000 | 99.99 | 99.99 | 16,000 | 16,000 | - | - |
| Total | | | | | 481,953 | 481,953 | 719,991 | 587,493 |
| Less: Allowance for impairment | | | | | (1,000) | (1,000) | - | - |
| Total investments in subsidiaries - net | | | | | 480,953 | 480,953 | 719,991 | 587,493 |

* 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 | |
| | | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | | (%) | (%) | (Thousand Baht) | (Thousand Baht) | (Thousand Baht) | (Thousand Baht) |
| TOP-T 2015 Co., Ltd. | Trade and product management | Thailand | 51.00 | 51.00 | 15,300 | 15,300 | 38,091 | 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 percent 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:

| Joint venture | (Thousand Baht :Unit) | | | |
|----------------------|---|-------|---|------|
| | 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 | |
| | 2016 | 2015 | 2016 | 2015 |
| TOP-T 2015 Co., Ltd. | 6,266 | 6,769 | - | - |

During the current 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. | |
| | 2016 | 2015 |
| Cash and cash equivalent | 41,717 | 20,602 |
| Trade accounts receivable | 22,349 | 64,274 |
| Inventories | 42,747 | 9,877 |
| Other current assets | 10,331 | 2,038 |
| Other non-current assets | - | 10 |
| Trade accounts payable | (38,304) | (25,548) |
| Other current liabilities | (4,031) | (8,773) |
| Other non-current liabilities | (168) | (48) |
| Net assets | 74,641 | 62,432 |
| Shareholding percentage (%) | 51% | 51% |
| Share of net assets | 38,067 | 31,840 |
| Elimination entries | 24 | 20 |
| Carrying amounts of joint venture based on the equity method | 38,091 | 31,860 |

Summarised information about comprehensive income

| | (Unit: Thousand Baht) | |
|-------------------------------------|---------------------------------|----------|
| | For the years ended 31 December | |
| | TOP-T 2015 Co., Ltd. | |
| | 2016 | 2015 |
| Revenue | 67,132 | 82,531 |
| Cost of sales | (31,508) | (33,226) |
| Selling and administrative expenses | (19,680) | (8,765) |
| Income tax expenses | (3,725) | (8,108) |
| Profit | 12,219 | 32,432 |
| Other comprehensive income | - | - |
| Total comprehensive income | 12,219 | 32,432 |

14. Property, plant and equipment

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | | |
|---|-----------------------------------|--|-------------------------------|---|-------------------|---|-----------|
| | Land and improvement | Buildings and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Motor vehicles | Assets under installation and under construction | Total |
| Cost: | | | | | | | |
| 1 January 2015 | 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 |
| Additions | - | 76 | 3,693 | 28,823 | 4,223 | 88,246 | 125,061 |
| Disposals | - | (23,436) | (1,369) | (8,217) | (11,049) | - | (44,071) |
| Transfers | - | 74,855 | 1,985 | 19,676 | 2,195 | (84,761) | 13,950 |
| 31 December 2016 | 52,088 | 591,607 | 331,475 | 281,237 | 91,245 | 8,735 | 1,356,387 |
| Accumulated depreciation: | | | | | | | |
| 1 January 2015 | 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 |
| Depreciation for the year | 493 | 82,124 | 24,884 | 33,144 | 8,265 | - | 148,910 |
| Depreciation on disposals | - | (17,720) | 63 | (6,246) | (6,950) | - | (30,853) |
| 31 December 2016 | 1,236 | 402,664 | 274,026 | 195,752 | 60,581 | - | 934,259 |
| Net book value: | | | | | | | |
| 31 December 2015 | 51,345 | 201,852 | 78,087 | 72,101 | 36,610 | 5,250 | 445,245 |
| 31 December 2016 | 50,852 | 188,943 | 57,449 | 85,485 | 30,664 | 8,735 | 422,128 |
| Depreciation for the years | | | | | | | |
| 2015 (Baht 31 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | 146,720 |
| 2016 (Baht 22 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | 148,910 |

(Unit: Thousand Baht)

| Separate financial statements | | | | | | | |
|---|-------------------------|--|----------------------------|---|----------------|---|----------|
| | Land and improvement | Buildings and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Motor vehicles | Assets under installation and under construction | Total |
| Cost: | | | | | | | |
| 1 January 2015 | 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 |
| Additions | - | 62 | 758 | 24,462 | 4,503 | 79,245 | 109,030 |
| Disposals | - | (18,343) | - | (286) | (10,651) | - | (29,280) |
| Transfers | - | 67,960 | - | 18,786 | 2,168 | (74,964) | 13,950 |
| 31 December 2016 | 35,056 | 347,546 | 54,164 | 151,273 | 57,169 | 8,410 | 653,618 |
| Accumulated depreciation: | | | | | | | |
| 1 January 2015 | 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 |
| Depreciation for the year | 494 | 74,477 | 6,710 | 25,796 | 10,292 | - | 117,769 |
| Depreciation on disposals | - | (14,346) | - | (284) | (6,655) | - | (21,285) |
| 31 December 2016 | 1,237 | 182,465 | 13,865 | 82,387 | 33,372 | - | 313,326 |
| Net book value: | | | | | | | |
| 31 December 2015 | 34,313 | 175,533 | 46,251 | 51,436 | 31,414 | 4,129 | 343,076 |
| 31 December 2016 | 33,819 | 165,081 | 40,299 | 68,886 | 23,797 | 8,410 | 340,292 |
| Depreciation for the years | | | | | | | |
| 2015 (Total balance of depreciation is recognised in selling and administrative expenses) | | | | | | | 109,861 |
| 2016 (Total balance of depreciation is recognised in selling and administrative expenses) | | | | | | | 117,769 |

As at 31 December 2016, the Company and its subsidiaries had vehicles with net book value of Baht 1 million (2015: Baht 3 million) which were acquired under finance lease agreements.

As at 31 December 2016, 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 493 million (2015: Baht 358 million) (The Company only; Baht 105 million, 2015: Baht 39 million).

15. Goodwill

(Unit: Million Baht)

| Consolidated financial statements | |
|-----------------------------------|------|
| | |
| | 2016 |
| | 2015 |
| Goodwill | 108 |
| | 108 |

On 1 November 2013, the Group gain the control over Time Deco Corporation Limited and recognised goodwill from the purchase of this subsidiary amounted to Baht 108 million.

The Company determined the recoverable amount of the cash generating unit based on value in use calculation using cash flow projections from financial budgets approved by management. The significant assumption are growth rates and discount rates.

16. Intangible assets

The net book value of intangible assets as at 31 December 2016 and 2015 is presented below.

| | Consolidated financial statements | | | | Separate financial statements | | | |
|---|-----------------------------------|--------------------|-----------------|----------------|-------------------------------|--------------------|-----------------|----------------|
| | Computer software | | | | Computer software | | | |
| | Computer software | under installation | Leasehold right | Total | Computer software | under installation | Leasehold right | Total |
| As at 31 December 2016 | | | | | | | | |
| Cost | 260,933 | 2,025 | 688 | 263,646 | 239,954 | 2,025 | 385 | 242,364 |
| <u>Less</u> Accumulated amortisation | (56,441) | - | (634) | (57,075) | (36,366) | - | (331) | (36,697) |
| <u>Less</u> Allowance for diminution in value | (2,283) | - | - | (2,283) | (938) | - | - | (938) |
| Net book value | <u>202,209</u> | <u>2,025</u> | <u>54</u> | <u>204,288</u> | <u>202,650</u> | <u>2,025</u> | <u>54</u> | <u>204,729</u> |
| 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 | <u>12,776</u> | <u>200,402</u> | <u>131</u> | <u>213,309</u> | <u>11,622</u> | <u>200,402</u> | <u>131</u> | <u>212,155</u> |

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 is presented below.

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|-----------------------------------|----------------|-------------------------------|----------------|
| | | | | |
| | 2016 | 2015 | 2016 | 2015 |
| Net book value at beginning of year | 213,309 | 115,054 | 212,155 | 110,701 |
| Acquisition of computer software | 30,927 | 100,897 | 30,910 | 100,897 |
| Amortisation | (29,093) | (8,404) | (25,642) | (4,596) |
| Transfers to equipment | (13,950) | - | (13,950) | - |
| Reversal of impairment loss | 3,095 | 5,762 | 1,256 | 5,153 |
| Net book value at end of year | <u>204,288</u> | <u>213,309</u> | <u>204,729</u> | <u>212,155</u> |

17. Bank overdrafts and short-term loans from financial institutions

| | | (Unit: Thousand Baht) | | | |
|--------------------------------------|-----------------------------|-----------------------------------|---------|-------------------------------|------|
| | | Consolidated financial statements | | Separate financial statements | |
| Interest rate (percent per annum) | | 2016 | 2015 | 2016 | 2015 |
| Bank overdrafts | MOR-1.00% | - | 5,958 | - | - |
| Short-term loans | | | | | |
| from financial institutions | 2.83% | - | 50,000 | - | - |
| Trust receipts | 1.87% - 1.95% 2.20% - 2.35% | 146,754 | 101,936 | - | - |
| Total | | 146,754 | 157,894 | - | - |

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

As at 31 December 2016, the credit facilities of the Company and its subsidiaries which have not yet been drawn down amounting to Baht 657 million (2015: Baht 686 million).

18. Trade and other payables

| | | (Unit: Thousand Baht) | | | |
|---|--|-----------------------------------|---------|-------------------------------|-----------|
| | | Consolidated financial statements | | Separate financial statements | |
| | | 2016 | 2015 | 2016 | 2015 |
| Trade payables - related parties (Note 6) | | 29,594 | 71,519 | 679,732 | 719,823 |
| Trade payables - unrelated parties | | 395,633 | 482,652 | 194,898 | 313,819 |
| Accrued expenses | | 187,134 | 176,796 | 140,080 | 144,055 |
| Other payables - related parties (Note 6) | | 1,217 | 451 | 109,166 | 73,314 |
| Other payables - unrelated parties | | 21,683 | 41,872 | 14,632 | 29,466 |
| Total trade and other payables | | 635,261 | 773,290 | 1,138,508 | 1,280,477 |

19. Liabilities under finance lease agreements

| | | (Unit: Thousand Baht) | |
|---|--|-----------------------------------|-------|
| | | Consolidated financial statements | |
| | | 2016 | 2015 |
| Liabilities under finance lease agreements | | 618 | 512 |
| Less: Deferred interest expenses | | (40) | (37) |
| Total | | 578 | 475 |
| Less: Portion due within one year | | (226) | (146) |
| Liabilities under finance lease agreements - net of current portion | | 352 | 329 |

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 2016 | | |
| | Less than 1 | | |
| | year | 1-5 years | Total |
| Future minimum lease payments | 250 | 368 | 618 |
| Deferred interest expenses | (24) | (16) | (40) |
| Present value of future minimum lease payments | <u>226</u> | <u>352</u> | <u>578</u> |
| (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 | <u>146</u> | <u>329</u> | <u>475</u> |

20. 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 financial statements | | Separate financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Provision for long-term employee benefits at beginning of year | 41,498 | 40,658 | 22,553 | 21,060 |
| Included in profit or loss: | | | | |
| Current service cost | 10,700 | 10,166 | 6,219 | 4,737 |
| Interest cost | 992 | 1,981 | 584 | 1,026 |
| Included in other comprehensive income: | | | | |
| Actuarial (gain) loss arising from | | | | |
| Demographic assumptions changes | (772) | (13,570) | - | (2,731) |
| Financial assumptions changes | 139 | 6,708 | - | 1,376 |
| Experience adjustments | (2,181) | (962) | - | (197) |
| Benefits paid during the year | <u>(1,417)</u> | <u>(3,483)</u> | <u>(836)</u> | <u>(2,718)</u> |
| Provision for long-term employee benefits at end of year | <u>48,959</u> | <u>41,498</u> | <u>28,520</u> | <u>22,553</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 | |
| | 2016 | 2015 | 2016 | 2015 |
| Cost of sales | 2,790 | 1,924 | - | - |
| Selling and administrative expenses | 8,902 | 10,181 | 6,803 | 5,763 |
| Total expenses recognised in profit or loss | 11,692 | 12,105 | 6,803 | 5,763 |

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) (2015: Baht 1 million, The Company only: Baht 1 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 23-27 years (The Company only: 27 years) (2015: 27 years, The Company only: 27 years).

Significant actuarial assumptions are summarised below:

| | (Unit: Percent per annum) | | | |
|----------------------|---------------------------|--------------|----------------------|--------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Discount rate | 1.8% - 2.6% | 2.6% | 2.6% | 2.6% |
| Salary increase rate | 4.5% - 5.0% | 5.0% | 5.0% | 5.0% |
| Turnover rate | 0.0% - 64.0% | 0.0% - 64.0% | 0.0% - 64.0% | 0.0% - 64.0% |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

| | (Unit: Million Baht) | | | |
|----------------------|----------------------|-------------|----------------------|-------------|
| | 2016 | | | |
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | Increase 1% | Decrease 1% | Increase 1% | Decrease 1% |
| Discount rate | (4) | 5 | (3) | 4 |
| Salary increase rate | 5 | (5) | 4 | (4) |
| Turnover rate | (5) | 3 | (4) | 2 |
| | (Unit: Million Baht) | | | |
| | 2015 | | | |
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | Increase 1% | Decrease 1% | Increase 1% | Decrease 1% |
| Discount rate | (3) | 4 | (2) | 2 |
| Salary increase rate | 4 | (3) | 2 | (2) |
| Turnover rate | (4) | 3 | (2) | 2 |

21. 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.

22. Expenses by nature

Significant expenses classified by nature are as follows:

| | Consolidated financial statements | | (Unit: Thousand Baht) Separate financial statements | |
|---|--------------------------------------|-----------|---|-----------|
| | | | | |
| | 2016 | 2015 | 2016 | 2015 |
| Salaries and wages and other employee benefits | 919,951 | 871,736 | 293,249 | 248,646 |
| Depreciation and amortisation | 178,005 | 155,125 | 143,412 | 114,457 |
| Reversal of loss on impairment of intangible assets | (3,095) | (5,762) | (1,256) | (5,153) |
| Raw materials and consumables used | 2,378,744 | 2,154,585 | - | - |
| Changes in finished goods and work in progress | (365,635) | (834,978) | (396,946) | 1,143,326 |
| Advertising expenses | 44,418 | 16,556 | 27,103 | 39,460 |
| Personnel services fees | - | - | 371,990 | 353,922 |
| Professional fees | 23,375 | 28,931 | 18,250 | 21,832 |
| Rental and service expenses | 457,415 | 407,750 | 414,898 | 369,804 |
| Bad and doubtful debts expenses | 2,136 | 5,826 | 2,136 | 5,865 |

23. Income tax

23.1 Deferred tax assets

The components of deferred tax assets are as follows:

| | Consolidated financial statements | | (Unit: Thousand Baht) Separate financial statements | |
|--|--------------------------------------|----------------|---|---------------|
| | | | | |
| | 2016 | 2015 | 2016 | 2015 |
| Deferred tax assets | | | | |
| Allowance for sales return and allowance for doubtful accounts | 10,731 | 10,304 | 9,733 | 9,306 |
| Inventories | 60,167 | 64,825 | 6,429 | 10,945 |
| Allowance for impairment of assets | 457 | 1,209 | 188 | 439 |
| Property, plant and equipment | 7,975 | 9,765 | - | - |
| Unrealised loss from trading investments | (1,160) | 35 | (1,160) | 35 |
| Provision for long-term employee benefits | 7,340 | 2,827 | 5,670 | 1,765 |
| Consignment inventories | 79,238 | 60,019 | 74,997 | 68,814 |
| Unused tax losses | 5,888 | 5,916 | - | - |
| Total | <u>170,636</u> | <u>154,900</u> | <u>95,857</u> | <u>91,304</u> |
| Deferred tax assets - net | <u>170,636</u> | <u>154,900</u> | <u>95,857</u> | <u>91,304</u> |

As at 31 December 2016, the subsidiary has deductible temporary differences and unused tax losses totaling Baht 4 million (2015: Baht 4 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.

Details of expiry date of unused tax losses are summarised as below:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|------------------|--------------------------------------|------|----------------------------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| 31 December 2018 | 1 | 1 | - | - |
| 31 December 2019 | 3 | 3 | - | - |
| | 4 | 4 | - | - |

23.2 Income tax expenses

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--------------------------------------|----------|----------------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Current income tax: | | | | |
| Current income tax charge | 83,707 | 71,540 | 52,281 | 60,952 |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | (16,298) | (24,685) | (4,554) | (21,330) |
| Income tax expenses reported in the statements of comprehensive income | 67,409 | 46,855 | 47,727 | 39,622 |

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

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|-------|----------------------------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| Deferred tax relating to gains on actuarial | 563 | 1,599 | - | 311 |

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|-----------|----------------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Accounting profit before tax | 915,622 | 791,369 | 843,677 | 756,650 |
| Applicable tax rate | 0-20% | 0-20% | 20% | 20% |
| Accounting profit before tax multiplied by income tax rate | 183,124 | 158,274 | 168,735 | 151,330 |
| Effects of: | | | | |
| Promotional privileges (Note 24) | (134,011) | (151,393) | - | - |
| Non-deductible expenses | 5,838 | 3,695 | 2,737 | 3,718 |
| Additional expense deductions allowed | (2,200) | (358) | (1,157) | (124) |
| Tax exempted revenue | - | - | (143,998) | (117,499) |
| Others | 14,658 | 36,637 | 21,410 | 2,197 |
| Total | (115,715) | (111,419) | (121,008) | (111,708) |
| Income tax expenses reported in the statements of comprehensive income | 67,409 | 46,855 | 47,727 | 39,622 |

24. Promotional privileges

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

1. For manufacturing garments in promotional certificate no. 2135(5)/2554 dated on 16 September 2011. The significant privileges consisted of exemption from payment of import duty on machinery which will be imported during period specified by the certificate and exemption from payment of income tax for certain operation for a period of eight years from the date on which the income is first derived which was 17 November 2011.
2. For manufacturing costumes in promotional certificate no. 1673(5)/2555 dated on 30 May 2012. The significant privileges consisted of exemption from payment of import duty on machinery which will be imported during period specified by the certificate and exemption from payment of income tax for certain operation for a period of eight years from the date on which the income is first derived which was 21 February 2013.

The subsidiaries' operating revenues for the years ended 31 December 2016 and 2015, divided between promoted and non-promoted operations, are summarised below.

(Unit: Thousand Baht)

| | Promoted operations | | Non-promoted operations | | Elimination entries | | Total | |
|----------------|---------------------|--------------|-------------------------|--------------|---------------------|----------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Sales | | | | | | | | |
| Domestic sales | 1,125 | 1,310 | 4,901 | 4,391 | (1,584) | (1,806) | 4,442 | 3,895 |
| Export sales | - | - | - | - | - | - | - | - |
| Total sales | <u>1,125</u> | <u>1,310</u> | <u>4,901</u> | <u>4,391</u> | <u>(1,584)</u> | <u>(1,806)</u> | <u>4,442</u> | <u>3,895</u> |

25. 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 | |
|--|-----------------------------------|-------------|-------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Profit attributable to equity holders of the Company for the year (Baht) | 842,859,751 | 732,016,271 | 795,950,123 | 717,028,618 |
| Weighted average number of ordinary shares (shares) | 800,000,000 | 800,000,000 | 800,000,000 | 800,000,000 |
| Earnings per share (Baht/share) | 1.05 | 92.0 | 0.99 | 90.0 |

26. 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 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 and total liabilities 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 2016 and 2015, respectively.

(Unit: Million Baht)

| | For the years ended 31 December | | | | | |
|--|--------------------------------------|-------|---------------------|------|-------|-------|
| | Business of clothing and accessories | | Business of Watches | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| External revenue | 4,067 | 3,509 | 412 | 442 | 4,479 | 3,951 |
| Inter-segment revenue | - | - | - | - | - | - |
| Total revenue | 4,067 | 3,509 | 412 | 442 | 4,479 | 3,951 |
| Interest income | 3 | 24 | - | - | 3 | 24 |
| Interest expenses | - | - | (3) | (6) | (3) | (6) |
| Depreciation and amortisation | (165) | (136) | (13) | (19) | (178) | (155) |
| Capital expenditures | 150 | 241 | 6 | 9 | 156 | 250 |
| Share of profit from investments in joint venture | 6 | 7 | - | - | 6 | 7 |
| Segment profit before income tax expenses | 900 | 760 | 16 | 31 | 916 | 791 |
| Other material non-cash items: | | | | | | |
| Allowance for diminution in value of inventories | (15) | 16 | 3 | 2 | (12) | 18 |
| Reversal of allowance for impairment loss on intangible assets | (3) | (6) | - | - | (3) | (6) |

(Unit: Million Baht)

| | As at 31 December | | | | | |
|---|--------------------------------------|-------|---------------------|------|-------|-------|
| | Business of clothing and accessories | | Business of Watches | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Segment total assets | 4,600 | 4,518 | 596 | 582 | 5,196 | 5,100 |
| Investments in joint venture accounted for by the equity method | 38 | 32 | - | - | 38 | 32 |
| Segment total liabilities | 678 | 792 | 232 | 232 | 910 | 1,024 |

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 2016, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

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 clothing and accessories.

27. 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 2016 amounting to approximately Baht 6 million (2015: Baht 5 million) were recognised as expenses.

28. Dividends

| Dividend | Authorised by | Dividend paid (Thousand Baht) | Dividend paid per share (Baht) |
|---------------------------|---|----------------------------------|--------------------------------------|
| Final dividend for 2015 | Annual General Meeting of the shareholders on 21 April 2016 | 320,000 | 0.40 |
| Interim dividend for 2016 | Meeting of the Board of Directors on 10 August 2016 | 320,000 | 0.40 |
| | | <u>640,000</u> | <u>0.80</u> |
| Final dividend for 2014 | Annual General Meeting of the shareholders on 23 April 2015 | 320,000 | 0.40 |
| Interim dividend for 2015 | Meeting of the Board of Directors on 13 August 2015 | 280,000 | 0.35 |
| | | <u>600,000</u> | <u>0.75</u> |

29. Commitments and contingent liabilities

29.1 Capital commitments

As at 31 December 2016, the Company had outstanding commitments of Baht 2 million in respect of construction of building improvement (2015: Baht 1 million).

29.2 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:

| | Consolidated | | Separate | |
|------------------------|----------------------|------|----------------------|------|
| | financial statements | | financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| <u>Payable within:</u> | | | | |
| Less than 1 year | 388 | 371 | 368 | 342 |
| 1 to 5 years | 434 | 444 | 413 | 372 |
| Over 5 years | 94 | 138 | 91 | 117 |

29.3 Guarantees

As at 31 December 2016, the Company and its subsidiaries have outstanding bank guarantees of approximately Baht 2 million (2015: Baht 14 million) (The Company only: Baht 1 million, 2015: 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.

30. Fair value hierarchy

As at 31 December 2016 and 2015, the Company and its subsidiaries had the assets that were measured at fair value using different levels of inputs as follows:

| | (Unit: Million Baht) | | | |
|-------------------------------|-----------------------------------|---------|---------|-------|
| | Consolidated Financial Statements | | | |
| | 2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Trading securities | | | | |
| Unit trusts | - | 790 | - | - |

| | (Unit: Million Baht) | | | |
|-------------------------------|-------------------------------|---------|---------|-------|
| | Separate Financial Statements | | | |
| | 2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Trading securities | | | | |
| Unit trusts | - | 790 | - | - |

| | | | | |
|-----------------------------------|---------|---------|---------|-------|
| (Unit: Million Baht) | | | | |
| Consolidated Financial Statements | | | | |
| 2015 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Trading securities | | | | |
| Unit trusts | - | 280 | - | 280 |

| | | | | |
|-------------------------------|---------|---------|---------|-------|
| (Unit: Million Baht) | | | | |
| Separate Financial Statements | | | | |
| 2015 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Trading securities | | | | |
| Unit trusts | - | 280 | - | 280 |

31. Financial instruments

31.1 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, trade and other receivables, loans, 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 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, loans, 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 2016 and 2015, 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 | | | | | | | |
|--|-----------------------------------|------------------|--------------|-----------------|---------------------------|--------------------------|-------|--------------------------------|
| | 2016 | | | | | | | |
| | Fixed interest rates | | | | | | | |
| | At call | Within 1 year | 1-5 years | Over 5 years | Floating interest rate | Non- interest bearing | Total | Interest rate (% per annum) |
| <u>Financial Assets</u> | | | | | | | | |
| Cash and cash equivalent | - | - | - | - | 395 | 92 | 487 | Note 7 |
| Short-term investments | - | - | - | - | - | 790 | 790 | - |
| Trade and other receivables | - | - | - | - | - | 796 | 796 | - |
| | - | - | - | - | 395 | 1,678 | 2,073 | |
| <u>Financial liabilities</u> | | | | | | | | |
| Bank overdrafts and short-term loans from financial institutions | - | - | - | - | 147 | - | 147 | Note 17 |
| Trade and other payables | - | - | - | - | - | 635 | 635 | - |
| Short-term loans from related parties | 17 | - | - | - | - | - | 17 | 4.00% |
| | 17 | - | - | - | 147 | 635 | 799 | |

(Million Baht)

| | Separate financial statements | | | | | | | |
|---------------------------------------|-------------------------------|------------------|--------------|-----------------|---------------|---------------|-------|-------------------------------|
| | 2016 | | | | | | | |
| | Fixed interest rates | | | | Floating | Non- interest | | |
| | At call | Within 1 year | 1-5 years | Over 5 years | interest rate | bearing | Total | Interest rate |
| | | | | | | | | (% per annum) |
| <u>Financial Assets</u> | | | | | | | | |
| Cash and cash equivalent | - | - | - | - | 395 | 70 | 465 | Note 7 |
| Short-term investments | - | - | - | - | - | 790 | 790 | - |
| Trade and other receivables | - | - | - | - | - | 950 | 950 | - |
| Long-term loans to related parties | 3 | - | - | - | - | - | 3 | 3.73%, 3.63%, 3.50% and 3.25% |
| | 3 | - | - | - | 395 | 1,810 | 2,208 | |
| <u>Financial liabilities</u> | | | | | | | | |
| Trade and other payables | - | - | - | - | - | 1,139 | 1,139 | - |
| Short-term loans from related parties | 16 | - | - | - | - | - | 16 | 3.25% |
| | 16 | - | - | - | - | 1,139 | 1,155 | |

(Million Baht)

| Consolidated financial statements | | | | | | | |
|--|----------------------|------------------|--------------|---------------------------|--------------------------|-------|--------------------------------|
| 2015 | | | | | | | |
| | Fixed interest rates | | | Floating interest rate | Non- interest bearing | Total | Interest rate (% per annum) |
| | At call | Within 1 year | 1-5 years | Over 5 years | | | |
| <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 | - | - | 103 | 1,380 | 1,583 |
| <u>Financial liabilities</u> | | | | | | | |
| Bank overdrafts and short-term loans from financial institutions | - | - | - | - | 158 | - | 158 Note 17 |
| Trade and other payables | - | - | - | - | - | 736 | 736 - |
| Short-term loans from related parties | 26 | - | - | - | - | - | 26 4.00% |
| | 26 | - | - | - | 158 | 736 | 920 |

(Million Baht)

| Separate financial statements | | | | | | | |
|-------------------------------|----------------------|------------------|--------------|---------------------------|--------------------------|-------|--------------------------------|
| 2015 | | | | | | | |
| | Fixed interest rates | | | Floating interest rate | Non- interest bearing | Total | Interest rate (% per annum) |
| | At call | Within 1 year | 1-5 years | Over 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 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 |

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 2016 and 2015, the balances of financial assets and liabilities denominated in foreign currencies of the Company and its subsidiaries are summarised below.

| Foreign currencies | Financial liabilities | | Average exchange rate | |
|--------------------|-----------------------|-----------|------------------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| | (Million) | (Million) | (Baht per 1 foreign currency unit) | |
| USD | 1 | - | 36.00 | 36.04 |
| JPY | 5 | 5 | 0.31 | 0.30 |

Forward foreign exchange contracts

As at 31 December 2016, the subsidiary has forward exchange contracts outstanding (2015: Nil) as summarised below.

| As at 31 December 2016 | | | |
|------------------------|-------------------|----------------------------|---------------------------|
| Foreign currency | Bought amount | Contractual exchange rate | Contractual maturity date |
| | by the subsidiary | | |
| | (Million) | | |
| <u>Subsidiary</u> | | | |
| USD | 0.2 | 34.6 - 36.1 Bath per 1 USD | January - March 2017 |

31.2 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.

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

32. 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 2016, the Group's debt-to-equity ratio was 0.21:1 (2015: 0.25:1) and the Company's was 0.30:1 (2015: 0.32:1).

33. Events after the reporting period

33.1 On 7 February 2017, the Company established Aromatique Active Co., Ltd. for sales of skincare and aromatic product, with the registered capital of Baht 8 million. The Company hold 55 percent of its registered shares.

33.2 On 23 February 2017, the Board of Directors Meeting No. 1/ 2017 of the Company resolved to propose to the 2017 Annual General Meeting of Shareholders to be held on 21 April 2017, to approve allotment of 2016 net profit for dividend payment at Baht 0.50 per share. The payment will be made on 19 May 2017.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 23 February 2017.



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