

2018

ANNUAL REPORT 2018

(1 JANUARY - 30 JUNE 2018)

MC GROUP PUBLIC COMPANY LIMITED

12

CONTENT ANNUAL REPORT 2018

Vision and Core Value	03
Message from the Chairman of the Board of Directors	05
Message from the Chief Executive Officer	07
Financial Summary	08
Board of Directors	10
Background and Key Developments	16
Policy and Overview of Business	19
Business Model	22
Markets and Competition	28
Risk Factors	29
Securities Information and Shareholders	31
Management Structure	32
Corporate Governance	42
Sustainable Development	61
Report of Audit Committee	71
Internal Control and Risk Management	73
Related Party Transactions	75
Management Discussion and Analysis	77
Report of Responsibility of the Board to Financial Reports	81
General information	82
Financial Statement	83

VISION AND CORE VALUE

▪ Vision

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 customers' satisfaction through our quality products with reasonable prices, extensive sales network and quality services.

▪ CORE VALUE

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 (มีความคิดบวก)

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 THE CHAIRMAN OF THE BOARD OF DIRECTORS

■ To Shareholders and Stakeholders,

The year 2018 marks another year of success for MC GROUP Public Company Limited as a Thai company that maintained its leadership in apparel and lifestyle product retail business with over 880 points of sales throughout the country. Moreover, our products and services continue to properly address different lifestyles of consumers with fast-changing behaviors while we are agile to face challenges in the digital age that come with dynamic world and more intense competition in retail business. The Company is also positioned to take on new business opportunities in order to generate solid growth in the future. This is in alignment with our vision to become a leading business organization that delivers maximum satisfaction to customers through quality products, fair prices, extensive sales channels and impressive services under our organization core values of professionalism as we continue to focus on creating sustainable returns for shareholders and stakeholders alike. For this year, the Company changed its accounting period to 1 July – 30 June to improve business agility and consistency with retail business management.

The Company received the Outstanding Company Performance Award from SET Awards 2017 organized by the Stock Exchange of Thailand. The awards were given to listed companies with satisfactory business performance, good corporate governance and compliance to SET's rules and regulations related to information disclosure, quality of financial statements and the membership of Collective Action Coalition Against Corruption (CAC). This success truly reflects the Company's commitment in management transparency under good corporate governance in the past. The Company continued to conduct its business fairly by adhering to shareholders' rights, equitable treatment, roles of stakeholders and responsibilities of directors principles as guaranteed by "Very Good" CG scoring from the Institute of Directors (IOD)

As the Chairman of the Board of Directors of MC GROUP Public Company Limited, I would like to take this opportunity to thank shareholders and all stakeholders for their trust and long-standing support. Directors, management team and all employees pledge our commitment to performing our duties at full capacity to further navigate the Company through challenges under good corporate governance as we did in the past for the best and sustainable interest of all stakeholders in order to stand firm beside Thai people forever.



(Mrs. Kaisri Nuengsigkapien)
CHAIRMAN OF THE BOARD OF DIRECTORS

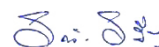


MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

■ Shareholders and Stakeholders,

The Company firmly entered its 43rd year in business and its 1st year of new accounting period aiming to enhance business agility. The year 2018 is characterized with the gradual recovery of retail business in Thailand as private and public consumption and investment are undertaken with prudence while household debt remained at a high level. This still negatively affected purchasing power of consumers that required the Company to rethink its growth strategies to refocus on maintaining profitability rather than emphasizing on sales revenue growth. We put efforts on existing sales channels while continuously add new channels to keep abreast of changing behaviors of certain consumer groups. For instance, the Company ramped up its online sales through mcshop.com to connect seamlessly with offline channels under omni-channel business model while customer relationships are managed and promoted through “Mc Club” that was implemented to offer privileges to our valued customers for all groups of products under our umbrella including apparels, watches and skincare products.

On behalf on MC GROUP Public Company Limited, I would like to express my sincere gratitude toward all stakeholders including shareholders, investors, executives, employees, business partners and all customers who have been giving us continued trust and patronage all these years. This has been a strong morale support to our employees and executives to continue dedicating our hearts and souls to laying a solid foundation as well as delivering performance that achieves the Company’s objectives while social responsibility remains crucial as the Company aspires to be a part that helps drive Thailand’s growth.

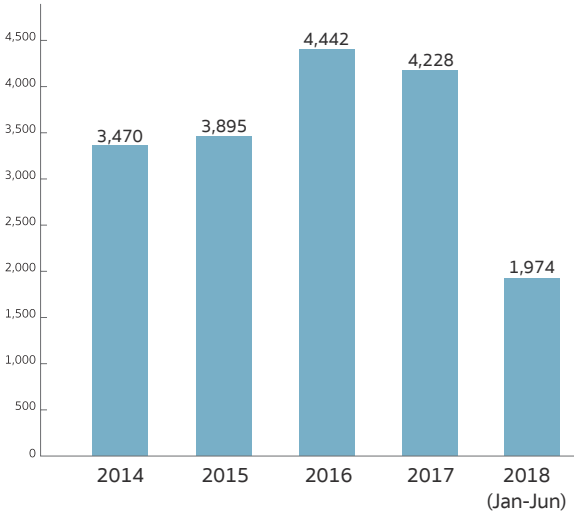


(Ms. Sunee Seripanu)
CHIEF EXECUTIVE OFFICER

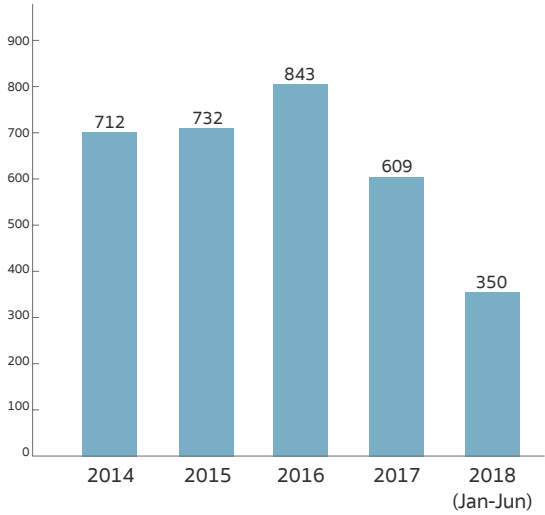
FINANCIAL SUMMARY

Summary of Financial Information (in THB millions)	Consolidated Financial Statements		
	2016	2017	2018 (Jan-Jun)
Statements of Comprehensive Income			
Revenue from sale of goods	4,442	4,228	1,974
Total income	4,479	4,314	2,014
Earnings before interest net, taxes, depreciation and amortization	1,093	848	454
Net profit (loss)	843	609	350
Statements of Financial Position			
Total assets	5,196	5,082	4,827
Total liabilities	910	914	547
Total equity	4,286	4,168	4,280
	2016	2017	2018 (Jan-Jun)
Profitability (%)			
Gross profit margin	54.7	52.7	57.2
EBITDA margin	24.6	20.1	23.0
Net profit margin	19.0	14.4	17.7
Return on total assets	16.2	12.0	7.2
Return on total equity	19.7	14.6	8.2
Debt to Equity Ratios (Times)			
Total debt to equity ratio	0.2	0.2	0.1
Per Share Information (THB)			
Book value per share	5.4	5.2	5.3
Earnings per share	1.05	0.76	0.44
Dividends per share	0.9	0.75	0.40

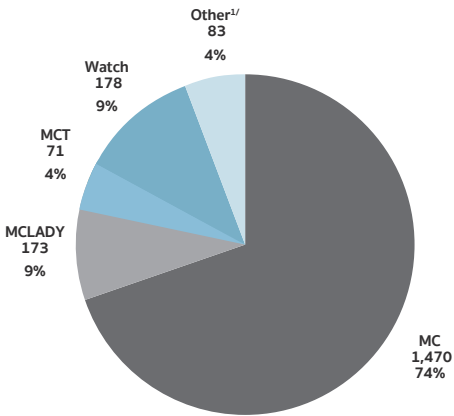
Revenue From Sales of Goods
(in THB millions)



Net Profit
(in THB millions)

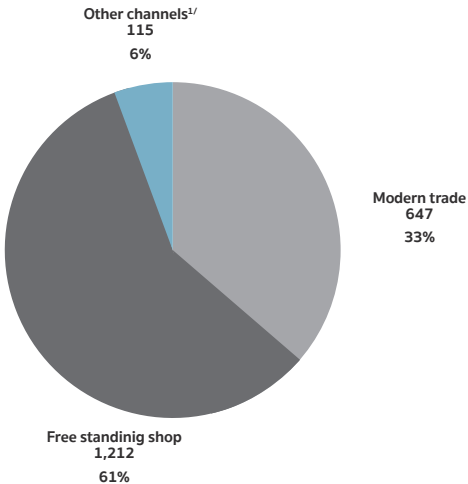


2018 (Jan-Jun) Revenue Structure
- By Brands
(in THB millions)



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

2018 (Jan-Jun) 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 s stores and online channel

BOARD OF DIRECTORS



6

3

8

1



②



④



⑦

BOARD OF DIRECTORS

<div>Mrs. Kaisri Nuengsigkapan1</div> <div>Chairman of the Board of Directors / Chairman of Executive Committee</div> <div>56 years old</div> <div>Date of being the Director<ul style="list-style-type: none">• 1st tenure : 21 April 2016 – 3 April 2018• 2nd tenure : 3 April 2018 – Present</div> <div>Education/Training<ul style="list-style-type: none">• Master of Business Administration, Thammasat University• Bachelor of Accounting, Thammasat University• Director Certification Program (DCP), 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, Class 30/2013, Thai Institute of Directors (IOD)• Certificate, The Role of The Compensation Committee Program, Thai Institute of Directors (IOD)</div> <div>Current directorship in other companies<ul style="list-style-type: none">• Chairman of the Board of Directors / Chairman of Executive Committee, Mc Group Plc• Independent Director / / Member of Audit Committee, SCG Ceramics Plc• Directors, Thai Institute of Directors• Directors, P.K. Garment (Import-Export) Co., Ltd.• Director, TOP T 2015 Co., Ltd.• Director / Treasurer, Rakkaew Foundation• Member of Corporate Governance Committee, Bank Of Thailand</div> <div>Experience<ul style="list-style-type: none">• Advisor, Securities and Exchange Commission, Thailand (SEC)• Chief Executive Officer, KPMG Thailand</div> <div>Number of Companies with Current Directorship<ul style="list-style-type: none">• Listed company: 1 company• Other companies: 3 companies</div>	<div>Ms. Sunee Seripanu2</div> <div>Director / Member of Executive Committee / Chief Executive Officer / Managing Director</div> <div>53 years old</div> <div>Date of being the Director<ul style="list-style-type: none">• 1st tenure : 4 July 2013 - 24 April 2014• 2nd tenure : 24 April 2014 - 21 April 2017• 3rd tenure : 21 April 2017 – Present</div> <div>Education/Training<ul style="list-style-type: none">• 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</div> <div>Current directorship in other companies<ul style="list-style-type: none">• Director / Chief Executive Officer / Managing Director, Mc Group Plc• Chairman of Board of Directors, P.K. Garment (Import-Export) Co., Ltd.• Chairman of Board of Directors, McJeans Manufacturing Co., Ltd.• Chairman of Board of Directors, Winnerman Co., Ltd.• Chairman of Board of Directors, Wowme Co., Ltd.• Chairman of Board of Directors, Look Balance Co., Ltd.• Chairman of Board of Directors, Time Deco Corporation Co., Ltd.• Chairman of Board of Directors, MC JEANIOUS Co., Ltd.• Chairman of Board of Directors, TOP T 2015 Co., Ltd.• Chairman of Board of Directors, Aromatique Active Co., Ltd.• President, Mc Group Foundation for Thai Society• Director, Millennium (1975) Co., Ltd.• President, Mc Group Foundation for Thai Society</div> <div>Experience<ul style="list-style-type: none">• Director, SS Challenge Co., Ltd.• Director, Amata Apparel Co., Ltd.• Director, Na Yai Am Real Estate Co., Ltd.</div> <div>Number of Companies with Current Directorship<ul style="list-style-type: none">• Listed company : -None-• Other companies : 12 companies</div>
---	--

Mr. Virach Seripanu**3**

**Director/ Member of Executive Committee/
Member of Nomination and Remuneration
Committee/ Member of Sustainable Development
Committee / Chief Production Officer**

55 years old

Date of being the Director

- 1st tenure : 4 July 2013 - 24 April 2014
- 2nd tenure : 24 April 2014 - 21 April 2016
- 3rd tenure : 21 April 2016 - Present

Education/Training

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

Current directorship in other companies

- Director/ Member of Executive Committee/ Member of Nomination and Remuneration Committee/ Member of Sustainable Development Committee / Chief Production Officer, 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.
- Director, Aromatique Active 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 : 7 companies

Mr. Somchai Apiwattanapron**4**

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

67 years old

Date of being the Director

- 1st tenure : 4 July 2013 - 24 April 2015
- 2nd tenure : 24 April 2015 - 21 April 2017
- 3rd tenure : 21 April 2017- Present

Education/Training

- Master of Political Sciences in Public Management, Ramkhamhaeng University
- Bachelor Degree in Accounting, Ramkhamhaeng University
- National Defence Program, Joint Public-Private Sectors, Class 46/2003, the National Defence College.
- Director Certification Program (DCP), Class 74/2006, Thai Institute of Directors (IOD)
- Director Accreditation Program (DAP), Class 14/2004, Thai Institute of Directors (IOD)
- Audit Committee Program (ACP), Class 21/2008, Thai Institute of Directors (IOD)
- Financial Statements for Directors (FSD), Class 17/2012, Thai Institute of Directors (IOD)
- 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 the Risk Management Committee, MC GROUP Plc.
- Independent Director / Chairman of Audit Committee / Chairman of the Nomination and Remuneration Committee, Robinson Department Store Plc.
- 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

- Independent Director / Chairman of Audit Committee, Ferrum Plc
- Chairman of the Board of Directors Thailand Tobacco Monopoly, Ministry of Finance
- nspector - 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 : 2 companies
- Other companies : 4 companies

Mr. Supasak Chirasavinuprapand**5**

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

53 years old

Date of being the Director

- 1st tenure : 4 July 2013 - 24 April 2015
- 2nd tenure : 24 April 2015 – 3 April 2015
- 3rd tenure : 3 April 2018 – Present

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, 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.
- Director, Ranhill Water Technologies (Thai) Ltd.
- Director, Anurak Water Treatment Facilities Co., Ltd.

Experience

- Director, S.P.C. Precious Metal Co., Ltd.
- Director, Ranhill Utilities Thai Co., Ltd.

Number of Companies with Current Directorship

- Listed company : -None-
- Other companies : 16 companies

Mr. Surasak Khaoroptham**6**

Director / Chairman of Sustainable Development Committee

52 years old

Date of being the Director

- 1st tenure : 24 April 2014 - 21 April 2016
- 2nd tenure : 21 April 2016 – Present

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.
- Director, Silkspan Company Limited
- Managing Director, Private Equity (Thailand) Co., Ltd.
- Director, Altus Advisory Co., Ltd.

Experience

- Director, Asiasoft Corporation Plc.
- Independent Director/ Member of the Nomination & Remuneration Committee, Somboon Advance Technology Plc.
- Director, SNC Former Plc.
- Director, Nok Airlines Plc.

Number of Companies with Current Directorship

- Listed company : - None -
- Other companies : 3 companies

Mrs.Chananyarak Phetcharat

7

Independent Director/ Member of Risk Management Committee

54 years old

Date of being the Director

- 1st tenure : 11 November 2015 - 21 April 2017
- 2nd tenure : 21 April 2017 – Present

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

- Director/ Chairman of Sustainable Development Committee, Mc Group Plc.
- Director, Silkspan Company Limited
- Managing Director, Private Equity (Thailand) Co., Ltd.
- Director, Altus Advisory Co., Ltd.

Experience

- Country Manager, Mobile Devices Sector, Motorola (Thailand) Ltd.

Number of Companies with Current Directorship

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

Mr. Lucksananoi Punkrasamee

8

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

65 years old

Date of being the Director

- 1st tenure : 1 January 2016 – 3 April 2018
- 2st tenure : 3 April 2018 – Present

Education/Training

- Master Degree (MBA) Chulalongkorn University
- Bachelor Degree in Accounting 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
- Independent Director / Chairman of Audit Committee, Singer Thailand Public Company Limited
- Director, Singer Capital Thailand Company Limited

Experience

- Independent Director NokScoot Airlines Co., Ltd.
- Advisor to Vice President-Finance and Investment & CFO, The Siam Cement Public Company Limited
- Managing Director, SCG Accounting Company Limited

Number of Companies with Current Directorship

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

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.

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.

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.

2013

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

2014

- Appointed sales agents to distribute MC GROUP’s products in Vietnam
- Officially opened “The Blue Brothers Denim Store”, MC GROUP’s first premium store
- Launched “Mc mini girls” line of products under “Mc mini” brand to extend its customer base from 6-12 years old boys to girls of the same age range.
- Introduced “Mc Plus” under “Mc” brand to the market to reach new target group of plus size customers.

2015

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

2015

- 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.

2016

- Launched Mc Jeans Official LINE as another communication channel for customers.
- Ranked among ESG100 for listed companies with outstanding performance in Environment, Social and Governance (ESG) under service industry by Thaipat Institute.
- Launched www.mcshop.com Official LINE to promote special offers, sales campaigns and new products of the online channel.
- 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.
- Redesigned management structure and re-formulated business plan of Time Deco Corporation Limited.

2016

- 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”.
- Introduced new lifestyle products in “skin care” category under “M&C” brand.

2017

- MC GROUP Public Company Limited signed a joint venture agreement with Mister Wiriya Phungsoonthorn, an expert in skincare with 55% ownership in Aromatic Active Company Limited to operate in skincare and fragrance business under M&C brand as well as act as a distributor of Nature Touch brand to further support its business expansion in lifestyle products.
- Time Deco Corporation Limited moved its office to the headquarter of MC GROUP Public Company Limited to enhance management efficiency.
- Appointed a sales agent to distribute its products in Iran Refurbished its website, www.mcshop.com
- to promote more appealing features including an enticing and well-organized blog to make customer’s online shopping experience more fun and convenient. Joined the Private Sector Action Coalition Against
- Corruption or CAC at Thailand’s 5th National Conference on Collective Action against Corruption. This reflects a success as well as a commitment in undertaking business with transparency as guided by good corporate governance in order to promote sustainable growth. Received “Outstanding Company Performance Awards” from SET Awards 2017 event
- Announced to be among the list of securities to be included in the calculation of SET100 and SET HD for the first half of 2017.
- Piloted a new Customer Relationship Management (CRM) to enroll customers to “MC Club” membership program that entitles them to exclusive privileges throughout the year.

KEY CHANGES AND DEVELOPMENTS IN 2018 (during January to June)

MARCH

- Collaborated with Warrix, the exclusive licensee and distributor of apparel for Thai national football team.



- Opened new retail channel for Skincare products of “M&C” and “Nature Touch” brands through counter in Hello Beauty zone at Robinson Department Store under name “Aromatique Active”.

AROMATIQUE ACTIVE



APRIL

- Collaborated with The Walt Disney Thailand to launch Sport Fashion apparel with official licensed 11-super hero Marvel collection.



MAY

- Deployed Customer Relationship Management (CRM) system to enroll customers to “MC Club” membership program that entitles them to exclusive privileges at free standing shops throughout Thailand.



- Restructured shareholders by distribution of ordinary shares of Aromatique Active Company Limited, its subsidiary to Look Balance Company Limited, company’s subsidiary as the core business holding shares of new business group for clearer, proper and flexible management and business expansion in future.



- Added more feature as ‘Ship to Shop’ service to be linkage between online and offline channels and more capability for seamless after-sale services at ‘Mc Jeans’ free standing shops.



POLICY AND OVERVIEW OF BUSINESS

Vision, Objectives, Targets and Strategies

MC Group Public Company Limited (“Company”) and its subsidiaries aspire to become a leading business organization in apparel and lifestyle business under our strong commitment to offer and manage varieties of products to serve customers with different and respond with rapidly changing customer behavior to ensure highest customer 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 sustainable revenue growth. To enhance its capacity in maximizing profitability, the following strategies will be implemented thoroughly to achieve its objectives and targets.

1. Product strategy: Extend and strengthen product offerings, innovations and brands to meet demands of 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 and enhancing brand awareness to better promote the products to the customers.

During January to June 2018, the Company launched new denim products under the collection ‘Mc Motorcycle Series’, inspired by bikers’ wear by blending ‘Kevlar’ protective fabric with ‘Spandex Fabric T400’ to enhance comfort and elasticity. In addition, the ‘Anti Mosquito’ shirt with innovative repellent fabric and natural extracts from chrysanthemum was developed and introduced into the market. Regarding other lifestyle products, the company added more selection of 100% cotton innerwear with minimal style, Mc Sneaker ‘Selvedge Walker’ and ‘Marvel’ Sport Fashion T-shirt through Collaboration with The Walt Disney Thailand under super hero theme and modern design for daily wear and sportswear.

Furthermore, the Company’s subsidiary, Aromatic Active Company Limited, has supported its business expansion in lifestyle product distribution into skincare under the brands “M&C” and “Nature Touch”. These brands are to cater to customers who take a good care of their skin, beauty and personality. The products are made from natural extracts and free of silicone, parabens and mineral oil. The product line of body lotion, shower gel, soap, scented powder and perfume was launched under Light Blue, Deep Blue and True Blue collections including fragrance such as reed diffuser.

With regard to activewear line, the Company premiered its sports jacket “Perfect Hoodie” with reflective technology for the front logo and emboss use at the back, these high-quality activeweares are available for men and women with easy-to-wear styles that customers can mix and match with other apparels, perfect for any active activity in their everyday lives for example, Running Set and Tracksuit.

2. Sales channel strategy

2.1) Expand existing sales channels nationwide 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, points of sales in modern trade venues and mobile units as well as expanding spaces in high potential outlets. At the end of June 2018, the Company had in total 880 points of sales. The reason is that these channels allow better product management, greater flexibility of new product introduction and more diverse sales promotions to create new and exciting experiences for the customers while fun will be emphasized as before.

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) Continuously expand internet or online channel

WoWme Company Limited, a subsidiary of MC GROUP refurbished its website and online distribution channel, www.mcshop.com to promote more appealing features including an enticing and well-organized blog to make customer's online shopping experience more fun and convenient. The website offers mostly apparels and lifestyle products under its group of companies. Certain collections or items will be made available exclusively on this channel. This online channel will appeal to both existing and new customers, raise brand awareness as well as provide customers with higher convenience to try its products.

3. Expand into foreign markets to cover countries under ASEAN Economic Community (AEC) as well as other countries with good potentials.

Mc Group planned to broaden their customer base to foreign markets especially in ASEAN Economic Community (AEC) and others with strong potentials and business opportunities. Our current ASEAN footprint includes appointed sales agents in Myanmar, Lao and Iran. At the end of June 2018, the Company had in total 14 points of sales.

Besides, the Company expected to expand further to other markets under AEC even though distributions in Vietnam and Cambodia were discontinued as the Company took a step back to search for better timing and business partners. 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.

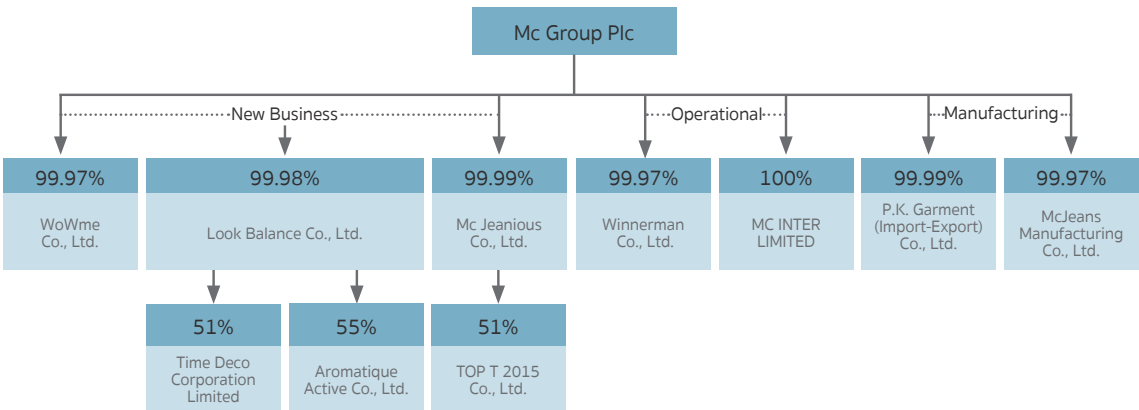
The Company is still active in searching for M&A and joint venture opportunities in related businesses to attain its business expansion goal according to group of companies' strategic plan.

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, manage and distribute products more efficiently.

In addition to stated strategies, the Company realized the importance of human resources 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

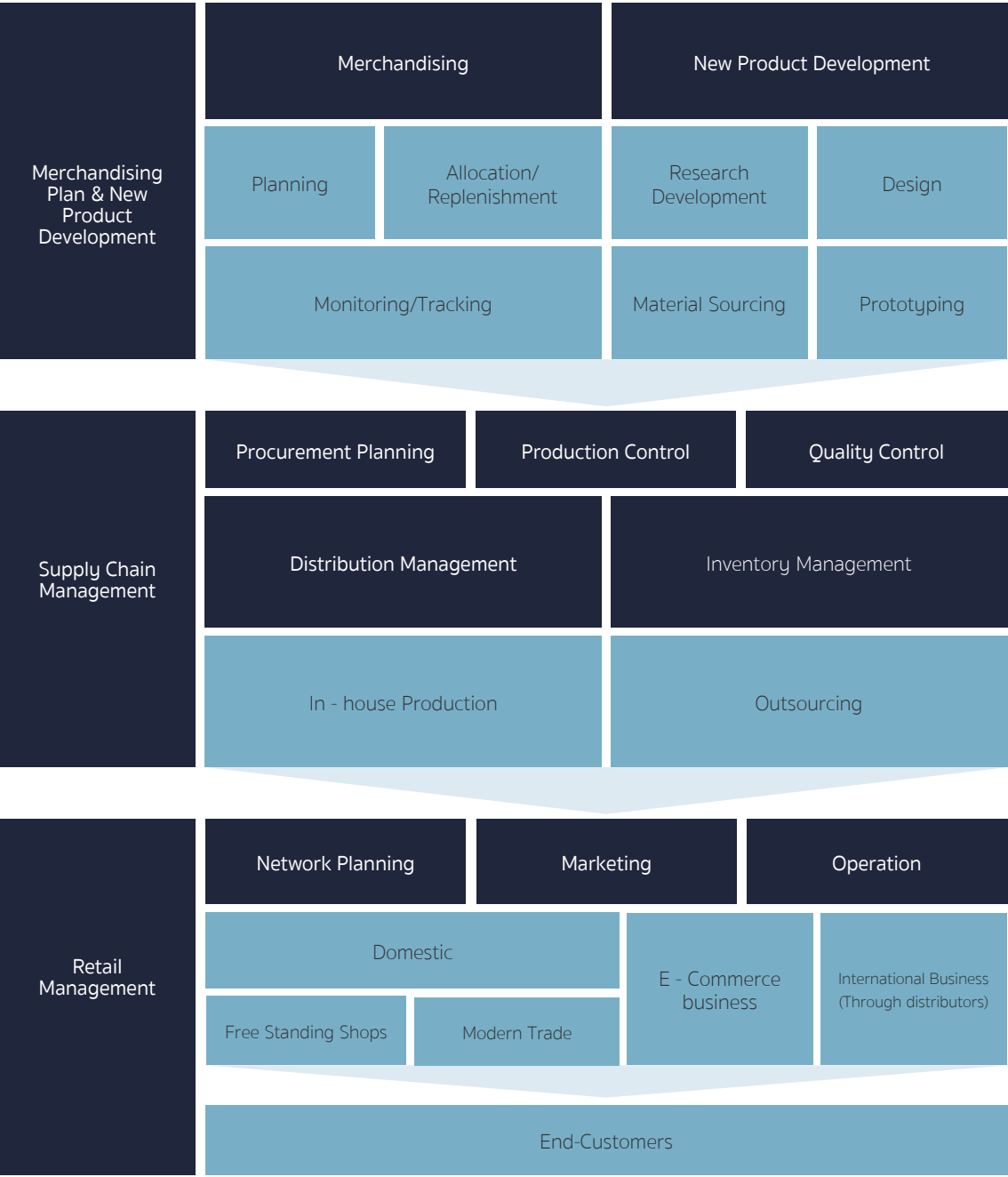


Company Profile: Mc Group and Subsidiaries’

Company Name	Registered Capital (million baht)	Business	% Shareholding
Mc Group Plc	400,000,000	Manages sales and distribution of ready-to-wear clothing and apparel.	-
P.K. Garment (Import-Export) Co., Ltd.	250,000,000	Manufactures ready-to-wear denim pants	99.99%
Winnerman Co., Ltd.	1,000,000	Provides services and manages PCs and warehouse employees	99.97%
McJeans Manufacturing Co., Ltd.	1,000,000	Manufactures ready-to-wear apparel	99.97%
WoWme Co., Ltd.	19,000,000	Distributes products and services through online/internet channel	99.99%
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%
Aromatique Active Co., Ltd.	8,000,000	Sales of skincare and aromatic product.	55.00%
Time Deco Corporation Limited	20,410,000	Imports and distributes leading fashion watches from all over the world	51.00%
TOP T 2015 Co., Ltd.	30,000,000	Trade and Product management	51.00%
Mc Inter Limited	1 HK dollar	Not yet in operation. Established to support future business operations and investments in foreign countries	100%

BUSINESS MODEL

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 FY2018, Mc Jeans stressed on product diversification and developed its new products beyond apparels to fit lifestyles of consumers such as Mc Biker Denim 'Motorcycle Series' inspired by bikers' wear by blending model and detail into denim fabric to enhance comfort and elasticity for daily wear, Mc 'Wear-to-work' collection for workers' lifestyle with smart casual or classic shirts, denim blazer with knit-wear indigo fabric and easy to wear, Mc Sneaker 'Selvedge Walker', 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 77.3% of total sales revenue in FY2018.

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 FY2018, Mc Lady contributed 9.1% 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 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.

5. 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.

6. 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”

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

M&C brand is high quality skin care and aromatic products. From the past year, 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

8. Leading watch brands from around the world

The Company offers fashion watch brands such as Diesel, DKNY, Emporio 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 9.0% of total sales revenue in FY2018.

Revenue Structure

Revenue Structure of MC GROUP and its subsidiaries accounting to financial statement for Y2016 – FY2018 (1 January to 30 June 2018) are as follow:

1. Revenue Structure by Product

Consolidated Financial Statements	Y2016 (1 Jan – 31 Dec 2016)		Y2017 (1 Jan – 31 Dec 2017)		Y2018 (1 Jan – 30 Jun 2018)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from ready-to-wear clothing, related apparels and other lifestyle products						
1. Mc ^{1/}	3,287	74.0	3,146	74.4	1,527	77.3
2. Mc Lady	508	11.4	461	10.9	179	9.1
3. Mc T	120	2.7	145	3.4	73	3.7
4. mc mc	42	0.9	17	0.4	4	0.2
5. Mc Mini	21	0.5	9	0.2	4	0.2
6. Bison	7	0.2	3	0.1	2	0.1
7. Other Brands	55	1.2	60	1.5	7	0.4
8. Revenue from watch sales	403	9.1	387	9.2	178	9.0
Total Sales Revenue	4,442	100.0	4,228	100.0	1,974	100.0

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

2. Revenue Structure by Sales Channel

	Y2016 (1 Jan – 31 Dec 2016)		Y2017 (1 Jan – 31 Dec 2017)		Y2018 (1 Jan – 30 Jun 2018)	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Modern trade	1,733	39.0	1,375	32.5	647	32.8
2. Free standing shop	2,514	56.6	2,531	59.8	1,212	61.4
3. Other channels ^{1/}	195	4.46	322	7.6	115	5.8
Total Sales Revenue	4,442	100.0	4,228	100.0	1,974	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 24.3%, 22.1% and 22.2% of total sales revenue in Y2016, Y2017 and FY2018 respectively.

With regard to revenue by geography of end-customers, upcountry customers contributed 58%, 59% and 61% of total sales revenue in Y2016, Y2017 and FY2018 respectively.

Sales Channel

As of 30 June 2018, The Company distributed all its products across 880 points of sales in Thailand and 14 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 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, Laos and Iran
 - 6. Online/Internet channel:** Mc Group launched another 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 Y2016, Y2017 and FY2018
(1 January – 30 June 2018)**

Clothing and apparels under “Mc Group”

By Channel	Y2016 (1 Jan – 31 Dec 2016)		Y2017 (1 Jan – 31 Dec 2017)		Y2018 (1 Jan – 30 Jun 2018)	
	Pos	%	PoS	%	PoS	%
Free standing shop	282	35.7	285	36.0	288	36.0
Modern trade	477	60.3	488	61.6	493	61.5
Mobile Unit and Container	6	0.8	6	0.8	6	0.8
Subtotal-domestic points of sales	765	96.8	779	98.4	787	98.3
Point of sales in foreign markets	25	3.2	13	1.6	14	1.7
Total	790	100.0	792	100.0	801	100.0

Watches under “Time Deco”

By Channel	Y2016 (1 Jan – 31 Dec 2016)		Y2017 (1 Jan – 31 Dec 2017)		Y2018 (1 Jan – 30 Jun 2018)	
	Pos	%	PoS	%	PoS	%
Free standing shop	21	19.6	15	14.7	14	15.1
Modern trade	86	80.4	87	85.3	79	84.9
Total	107	100.0	102	100.0	93	100.0

**Number of point of sales by geography for Y2016, Y2017 and FY2018
(1 January – 30 June 2018)**

Clothing and apparels under “Mc Group”

By Geography	Y2016 (1 Jan – 31 Dec 2016)		Y2017 (1 Jan – 31 Dec 2017)		Y2018 (1 Jan – 30 Jun 2018)	
	Pos	%	PoS	%	PoS	%
Upcountry	545	69.0	565	71.3	574	71.7
- Free standing shop	209	26.5	217	27.4	222	27.7
- Modern trade	336	42.5	348	43.9	352	44.0
Bangkok and vicinities	214	27.0	208	26.3	207	25.8
- Free standing shop	73	9.2	68	8.6	66	8.2
- Modern trade	141	17.8	140	17.7	141	17.6
Mobile Unit and Container	6	0.8	6	0.8	6	0.8
Subtotal-domestic point of sales	765	96.8	779	98.4	787	98.3
Point of sales in foreign markets	25	3.2	13	1.6	14	1.7
Total	790	100.0	792	100.0	801	100.0

Watches under “Time Deco”

By Geography	Y2016 (1 Jan – 31 Dec 2016)		Y2017 (1 Jan – 31 Dec 2017)		Y2018 (1 Jan – 30 Jun 2018)	
	Pos	%	PoS	%	PoS	%
Upcountry	57	53.3	52	48.6	49	52.7
- Free standing shop	11	10.3	7	6.5	6	6.5
- Modern trade	46	43.0	45	42.1	43	46.2
Bangkok and vicinities	50	46.7	50	46.7	44	47.3
- Free standing shop	10	9.3	8	7.5	8	8.6
- Modern trade	40	37.4	40	39.3	36	38.7
Total	107	100.0	107	100.0	93	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 jeanswear 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 caps. 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.

MARKET AND COMPETITION

• Apparel and lifestyle product retail business in Thailand

The National Economic and Social Development Board (NESDB) estimated Thailand's GDP growth for the first quarter of 2018 to be 4.8% driven by continuous and strong expansion in export sector especially for products related to oil and electronics as well as growing service sector from tourism. This is in line with overall business outlook and trends for the second quarter of 2018 conducted by the Bank of Thailand. However, the expansion in private consumption in durable goods and services is mostly limited to products that serve middle and high-end markets as purchasing power is mainly derived mainly from high-income groups. The economy reflects prudence and carefulness in spending of Thai households. Even though the minimum wage increase in April acted as a positive factor to income and employment and prices of agricultural products started to improve, households are concerned of their prolonged high debt level which accounted for as high as 80% of the GDP. This is considered a constraint to household expenditure and is consistent with significant growth in retail credit both in commercial banks and private consumption especially spending on durable goods such as properties and cars. Consequently, consumption of non-durable goods expanded at an anemic rate.

With the mentioned economic backdrop, apparel and lifestyle product retail businesses are more active in reformulating strategies or offering more promotions to boost consumer demands in order to maintain their market shares as well as generate growth. This requires capabilities in product design, marketing and other specialized skills to create and develop products that are unique to address the needs of domestic market. Furthermore, alternative channels must be identified and explored such as online channels that are gaining more popularity recently. Effective cost reduction and cost management are also considered a key factor in supporting business to attain continuous and sustainable growth.

• Alternative Channel Expansion

Thai society is moving toward digital society characterized by changes in consumer behaviors in favor of e-commerce where people purchase products and services online. Electronics followed by apparels and accessories rank the top 3 categories in e-commerce.

E-commerce is a transition of sales channels from traditional physical points of sales to computers, tablets and smartphones that Thai retail business is currently facing. In order to adapt to the disruptive changes and gain competitive edges over rivals by generating more revenue from this lower-cost channel, the Company reformulated its strategies to better focus on its online channel, mcshop.com to capitalize on e-commerce trend to steal market shares and expand amidst sluggish retail business.

This strategic shift to online channels is aimed to reinforce its omni-channel business model the Company adopted that connects offline points of sales with online world to benefit from convenience offered through online shopping and payment as well as consumer information the Company can collect for its qualitative analyses.

The Company can still leverage on strengths of traditional offline points of sales which provide actual products for consumers to experience and try as well as offer after-sales services and other services in the future.

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 with new products and/or brands, price competition, sales promotions, advertising and PR, the expansion of sales network as well as the use of media and online channels to better reach consumers.

To maintain its strength in market access to consumers via channel expansion, MC GROUP has plans to expand in all channels including traditional free standing shops and modern trade mobile unit and other alternative channels such as online channel via www.mcshop.com and mobile unit. The channel network expansion will enhance brand awareness to broader audience, seamlessly connect offline and online channels and effectively elevate its competitiveness.

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 post a threat on the sales of fashion and lifestyle items offered by the Company. At MC GROUP, we promote close collaboration of marketing, sales and design teams at the Company in order to capture and analyze customer trends and preferences through extensive surveys and close tracking and observation of fashion and trends both locally and internationally. This helps expedite our product development process to be able to introduce new desirable fashion products to meet customer needs at any time.

In January 2018, the Company started a pilot project on its Customer Relationship Management system (CRM) with the purpose to strengthen relationship with customers and manage their privileges. The new CRM also enabled MC GROUP to gain better and faster access to in-depth consumer behavior data.

2. Business Risks

2.1 Risk from MC GROUP's 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. These 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 strategies. The Company has taken solid steps in executing business plans and monitoring the progress 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. In addition, Enterprise Resource Planning (ERP) is adopted as an integrated system to handle resource management holistically for the organization according to its business plans and strategies.

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. In June 2018, number of owned free standing shops reached 302 locations from 894 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 29 June 2018, 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 29 June 2018 is summarized below

No	Shareholder	Number of Share	%
1.	Ms. Sunee Seripanu	366,202,020	45.78
2.	MINDO ASIA INVESTMENT LIMITED	70,000,000	8.75
3.	STATE STREET BANK EUROPE LIMITED	38,192,288	4.77
4.	Mrs. Pratana Mongkoglul	22,971,000	2.87
5.	Bualuang Long-Term Equity Fund	17,924,500	2.24
6.	Bualuang Basic Dividend LTF	17,630,900	2.20
7.	RBC INVESTOR SERVICES TRUST	15,345,400	1.92
8.	Mr. Virach Seripanu	14,800,000	1.85
9.	THAI NVDR CO., LTD	12,635,164	1.58
10.	Bualuang Siriphol Corporate Governance Equity Fund	12,431,300	1.34

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 47.63% of the Company.

Foreign Limit

The Company has set foreign limit of shareholding at 49% of paid-up capital. As of 29 June 2018, foreign shareholders of the Company held 19.00% of paid-up capital.

Type of Shareholders	Number of Shares	%
Thai shareholders	648,738,548	81.00
Foreign shareholders	151,261,452	19.00
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 clause 9.2 of Corporate Governance part.

As of 30 June 2018, 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 2018
1. Mrs. Kaisri Nuengsigkapan ^{1/}	Chairman of the Board of Directors / Chairman of Executive Committee	3/3
2. Ms. Sunee Seripanu	Director/ Member of Executive Committee / Chief Executive Officer / Managing Director	3/3
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	3/3
4. Mr. Somchai Apiwattanapron	Independent Director / Chairman of Audit Committee / Chairman of the Risk Management Committee	2/3
5. Mr. Supasak Chirasavinuprapand	Independent Director/ Member of Audit Committee/ Member of Risk Management Committee/ Member of Nomination and Remuneration Committee	3/3
6. Mr. Surasak Khaoroptham	Director/ Chairman of Sustainable Development Committee	3/3
7. Mrs.Chananyarak Phetcharat	Independent Director/ Member of Risk Management Committee	3/3
8. Mr. Lucksananoi Punkrasamee	Independent Director/ Member of Audit Committee/ Chairman of the Nomination and Remuneration Committee	3/3

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 Chairman of the Board of Directors

1. Preside over at the Board of Directors' meetings and shareholders' meetings as a chairperson.

2. Run effective meetings by allowing directors to make inquiries and express opinions freely, managing agenda items of discussion and concluding resolutions of the meeting.
3. Communicate important information to the Board of Directors
4. Encourage the Board of Directors to perform its duties according scope of authority and roles and responsibilities in accordance with laws, rules and regulations or announcements and notifications from related agencies under good corporate governance practices.

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 the Company's performance to ensure the alignment with strategies, work plans and budgets taking into account all stakeholders as well as social and environmental responsibility.
5. Encourage innovations that create value added for business and the society and include this as a part of business strategies as well as ensure implementation by management team in formulating development/improvement plans.
6. Oversee the Company's management of information technology and leverage its information technology on enhancing business opportunities and improving work as well as set safety measures for information technology systems.
7. Formulate risk management policies, ensure that risk management systems cover all important kinds of risk the Company may have in accordance with strategies and goals and regular risk management evaluation and monitoring are in place to maintain risks within acceptable levels.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. Determine and revise list of directors authorized to sign off on behalf of the Company
15. 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 and performance evaluation of Chief Executive Officer and executives with transparency to be consistent with responsibilities and performance results for short-term and long-term motivations.

16. Seek professional opinions from other organizations to make proper decisions when necessary.
17. Control over internal information security and monitor the conflicts of interest that may arise within the Company
18. 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

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 30 June 2018, MC GROUP Plc consists of 6 executives as definition from Securities and Exchange Commission as follow

ชื่อ	ตำแหน่ง
1. Ms. Sunee Seripanu	Chief Executive Officer / Managing Director
2. Mr. Virach Seripanu	Chief Production Officer- Production Workgroup
3. Mr. Bundit Praditsuktavorn	Chief Financial Officer
4. Ms. Piangkwan Seesutipo	Chief Commercial Officer
5. Mr. Nopadol Tangdenchai	Chief Information Technology Officer
6. Mr. Sakesan Serksiri ¹	Chief Supply Chain Officer

Remark: ^{1/} Mr. Sakesan Serksiri has been appointed on 1 May 2018.

Roles and Responsibilities of the Chief Executive Officer (CEO)/ Managing Director

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 operating in accordance with its policies and its best interest as well as proper code of conducts of the Company.

9. Perform other duties as assigned by the Board of Directors and/or the Executive Committee and entitled to undertake necessary actions related to those duties.

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

Directorship of the CEO and MD in external organizations.

Board of Directors stipulated policies related to directorship in or use of time working for external organizations of the CEO and MD as follow;

1. The CEO and MD can become a director in a government organization or cooperate with the government for the benefit of the society as a whole, not for ones that are established for the interest of any political party.
2. The CEO and MD can become a director in a private organization that is not established for public interest such as the Federation of Thai Industries, Thai Chamber of Commerce and Thailand Management Association.
3. The CEO and MD can become a director in a private organization that is not established for the public interest only in case that the private organization does not conduct business with conflict of interest with the Company and time will not be spent in expense of the Company. Note that subsidiaries, affiliates and joint ventures of the Company are not included as the Company has to involve in the management and governance for the interest of the Company.

Corporate Secretary

At the Board of Directors Meeting No.2/2015 on 14 May 2015, Ms Anongnard Wannamas has been appointed 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 2018, 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 2018 Annual General Meeting of Shareholders on 3 April 2018 reached a resolution to approve the following remuneration for directors for the year 2018 as shown below.

Remuneration for the Board and Sub-Committee	2018	
	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. The Nomination and Remuneration Committee		
Chairman	-	30,000
Member	-	25,000
5. The Sustainable Development Committee		
Chairman	-	30,000
Member	-	25,000

At the end of June 2018, monetary remuneration as actually paid for the Board of Directors totaled 2.22 Million baht. Details of meeting attendance and remuneration for directors are as follow;

Directors' Name	Title/Position	2018 Meeting Attendance					Subtotal Monthly Remuneration	Meeting Allowance					Subtotal Meeting Allowance	Bonus	Total (Baht)
		Board of Directors	Audit Committee	Risk Management Committee	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 Nengsigkapien	Chairman of the Board of Directors / Chairman of Executive Committee	3/3	X	X	X	X	120,000	240,000	X	X	X	X	240,000		360,000
2. Ms. Sunee Seripanu	Director/ Member of Executive Committee / Chief Executive Officer / Managing Director	3/3	X	X	X	X	60,000	150,000	X	X	X	X	150,000		210,000
3. Mr. Virach Seripanu	Director/ Member of Executive Committee/ Member of Nomination and Remuneration Committee/ Member of Sustainable Development Committee / Chief Production Officer- Production Workgroup	3/3	X	X	1/1	0/0	60,000	150,000	X	X	25,000	0	175,000		235,000
4. Mr. Somchai Apiwattanapron	Independent Director / Chairman of Audit Committee / Chairman of the Risk Management Committee	2/3	2/2	2/2	X	X	60,000	100,000	80,000	60,000	X	X	240,000		300,000
5. Mr. Supasak Chirasavinuprapand	Independent Director/ Member of Audit Committee/ Member of Risk Management Committee/ Member of Nomination and Remuneration Committee	3/3	2/2	2/2	1/1	X	60,000	150,000	60,000	50,000	25,000	X	285,000		345,000
6. Mr. Surasak Khaoroptham	Director/ Chairman of Sustainable Development Committee	3/3	X	X	X	0/0	60,000	150,000	X	X	X	0	150,000		210,000
7. Mrs.Chananyarak Phetcharat	Independent Director/ Member of Risk Management Committee	3/3	X	2/2	X	X	60,000	150,000	X	50,000	X	X	200,000		260,000
8. Mr.Lucksananai Punkrasamee	Independent Director/ Member of Audit Committee/ Chairman of the Nomination and Remuneration Committee	3/3	2/2	X	1/1	X	60,000	150,000	60,000	X	30,000	X	240,000		300,000
Total		X	X	X	X	X	540,000	1,240,000	200,000	160,000	80,000	0	1,680,000		2,220,000

• **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 motivate 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.

At the end of June 2018, the Company paid a total of 22.89 million baht for in remuneration to its executives as detailed below.

Remuneration for Executives	Total Remuneration (Thousand Baht)	
	2017	2018
Number of Executives ¹	6	6
Financial Remuneration ²		
- Salary, bonus and other remunerations	34,346	22,392
- Contributions to provident fund and contribution to social security fund	909	499
Non-Financial Remuneration	None	None

Remark: ¹ Number of executives of 2017 was entitled on 31 December of calendar year and 2018 was entitled on 30 June of calendar year.

² Total remuneration was calculated from actual payment to executives (in-out) during calendar year.

Remuneration for the Chief Executive Officer and Managing Director

The Board of Directors stipulated remuneration policies for the CEO and MD to be in accordance with performance. The Board of Directors ensures that remuneration structure and evaluation process are appropriate. Remuneration structure must act as an incentive to perform the duties consistent with objectives and key goals of the organization and the best interest of the Company in the long term. The following topics shall be considered for the performance evaluation of the CEO and MD.

1. Approve evaluation criteria for the CEO and MD that ensure that the CEO and MD perform the duties in accordance with objectives, key goals and strategies and consistent with the interest of business in the long term. Evaluation criteria shall be communicated and informed to the CEO and MD in advance.
2. Conduct the evaluation of the CEO and MD regularly on a yearly basis or may assign the Nomination and Remuneration Committee to be the evaluator while the Chairman or a senior director shall be responsible for communicating results of the evaluation and other areas for development to the CEO and MD.
3. Approve annual remuneration of the CEO and MD and shall take into consideration performance results as well as other related factors.

Employees

• Number of Employees¹

As of 31 December 2016, 2017 and 30 June 2018, the Company and its subsidiaries had a total of 2,865, 2,730 and 2,624 employees respectively. This can be shown by departments as follow:

Number of Employees			
Division	2016	2017	2018
Executives	7	7	7
Production Workgroup	1,240	1,107	556
Marketing Workgroup	1,182	1,213	1429
Accounting, Finance and Business Development Workgroup ¹	64	65	88
Information Technology Workgroup ²		30	36
Human Capital and Development Workgroup	21	22	21
Standard and Business Compliance Workgroup	24	28	26
Other Businesses ³	253	223	205
Warehouse Logistics and Transportation			194
Others	43	74	35
Total	2,865	2,730	2,624

Remark: ¹ In 2017, the company has amended the organization company and adjusted duties and obligations of Accounting and Finance and Business Support Workgroup and revised its name is Accounting and Finance and Business Development Workgroup.

² In 2016, the company renamed the Information Technology Workgroup to be the Information Technology Department which is subject to the Accounting and Finance and Business Support Workgroup. In order to respond the company's strategies, the company has increased the duties and responsibilities to the Online Sales, the Digital and these are separated from the Information Technology Workgroup.

³ Other businesses are 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 to emphasize the 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 2016, 2017 and 2018, the Company and its subsidiaries paid a total compensation of 920.0, 899.2 and 373.6 million baht respectively to its employees including salaries, bonuses, over-time wage 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. At the end of June 2018, the Company's contributions to the provident fund amounted to 2.94 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.

• Critical Labour Disputes for 3 years ago

In 2014, employees under a subsidiary of Mc Group founded Mc Jeans Labour Union, The Company is in the process of negotiated with the group and trying to compromise and settle the disputes. At the end of June 2018, the Company had no a claim from the Labor Union.

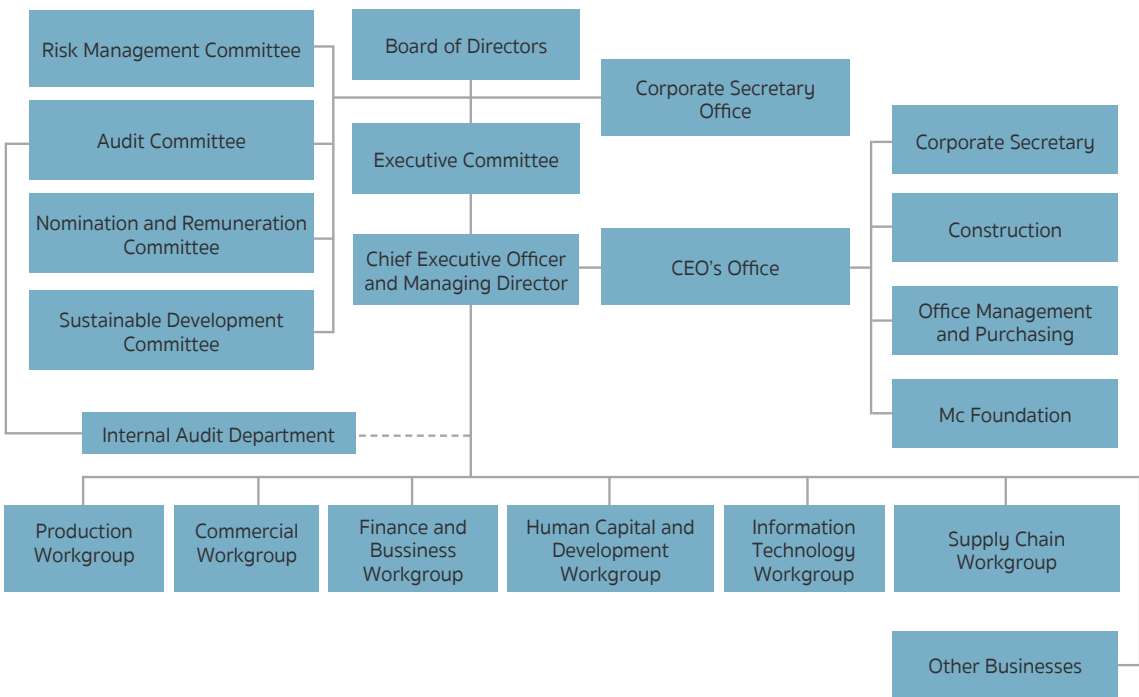
• Human Resource Development

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 synchronized 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 our principle of business management to offer products and services at reasonable price with good qualities, the Company has developed our employees consistently and emphasized on the standard of production and services by its staff especially PC with many skill developments such as basic sewing skill, product consulting to customers, creation of many communication channels through modern equipment and IT system for in-dept product knowledge including coaching team for on-the-job training together with sale, etc. 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.

• MC Group’s Organization Chart: Updated on 30 June 2018



CORPORATE GOVERNANCE

The Board of Directors and executives realized 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 2017 showed that the Company's average score for all 5 sections of corporate governance was at 88 which was at par with the average SET 100 Index (at 87).

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) and Corporate Governance Code for Listed Companies 2017 set by the Securities and Exchange Commission, Thailand in establishing and developing good corporate governance policies. The policies are divided into 5 sections. At the end of June 2018, 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.

At the end of June 2018, 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

2018 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 2018 Annual General Meeting of Shareholders on 3rd April 2018 at 14:00 hrs at Suvarnnabhumi A&B, Novotel Suvarnnabhumi Airport Hotel 999 Moo 1, Nongprue, Bangplee, Samutprakan, various kinds of mass transportation were available for shareholders to use in attending the meeting.

At the 2018 Annual General Meeting of Shareholders, 148 shareholders including their proxies attended the meeting. This is equivalent to 71.6% of outstanding shares. All 8 directors participated in the meeting or there was 100% attendance of the directors. The Chairman of the Board of Directors, the Chairman of the Audit Committee, the Chairman of the Risk Management Committee, the Chairman of the Sustainable Development Committee, the Chief Executive Officer and Managing Director, high-level executives, corporate secretary and the auditor all together participated in the meeting. Details of the meeting execution are outlined below.

Before the Shareholders' Meeting

- The Company prepared the notice to shareholders' meeting in both Thai and English. For the 2018 Annual General Meeting of the Shareholders, the Company posted the meeting notice on its website since 2nd March 2018, 18 days prior to the meeting date and sent out the meeting notice to the shareholders 7 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.

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 de-pend 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 con-ducted 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 share-holders 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 of 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 2018, 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 be-fore, 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.

The Company offers more remuneration and welfare system than required by law and focus on the suitability and consistency with company's performance and employee's performance appraisal with clear, concrete and disclosed policy to all employees. In addition, the Company arranges for a good and safe working environment toward employee's asset and complies with labor law strictly and also offer professional development for more capability and skill to all employee level.

The Company respects human rights and privacy of its employees and refrain from disclosing personal information such as salary, medical record, family background to outside parties or unauthorized persons except that the information must be disclosed to external parties as required by law. Moreover, the Company encourages knowledge sharing and trainings on environment and work safety so that the employees understand and conform to the guidelines.

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 whom must respect with human right, fair labor practices and business operation with environmental, social responsibilities as the Company believes that business partners are a key factor that helps deliver values to the customers and helps the Company's sustainable growth.

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 and Environment

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, efficient resource utilization 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:

• Direct Complaint by written notice

- 1) The Chairman of the Audit Committee
- 2) Chief Executive Officer

- 3) Internal Audit Department OR
- 4) Corporate Secretary
MC Group Public Company Limited
448,450 On Nut Road, Prawet, Prawet, Bangkok 10250
Tel 02-117-9999 Fax 02-117-9998

• **Complaint by E-mail**

- 1) The Chairman of the Audit Committee : auditcommittee@mcgroupnet.com
- 2) Chief Executive Officer : sunee.s@mcgroupnet.com
- 3) Internal Audit Department : ia@mcgroupnet.com
- 4) Corporate Secretary : corpsecretary@mcgroupnet.com
- 5) Direct supervisor

• **Complaint by letter via post**

- 1) The Chairman of the Audit Committee
- 2) Chief Executive Officer
- 3) Internal Audit Department OR
- 4) Corporate Secretary
MC Group Public Company Limited
448,450 On Nut Road, Prawet, Prawet, Bangkok 10250
Tel 02-117-9999 Fax 02-117-9998

Note that information related to complaints is treated as confidential and will be disclosed only as necessary. The Company put in place measures that protect whistleblowers, complainants and related persons. Whistleblowers can opt to be anonymous and whistleblowers or complainants can request the Company to set appropriate protection measures or the Company may enact protection measures without request in case that there is a tendency of damage or unsafety.

Once complaint is received or filed, responsible persons are required to verify facts and consider appointing a committee to investigate further. In case that the wrongdoing is proved to be true, the Company shall consider suitable punishment and report the misconduct and the complaint to the Audit Committee and the Board of Directors.

As of 31 June 2018, there was no complaint or whistleblowing from stakeholders.

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 correct-ness, clarity, transparency and timeliness as specified by the guidelines for the listed company. In addition, the Audit Committee also perform auditing roles for internal control systems to guarantee effective internal control and compliance with laws and Company's regulations. Related party transactions or transactions with potential conflict of interest must also be reviewed by the Audit Committee for their appropriateness and reasonableness before presenting to the Board of Directors for consideration and approval.

At the end of June 2018, 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.

To comply with the notification of the Capital Market Supervisory Board Re: Rules, Conditions and Procedures for Disclosure regarding Financial statement and performance of securities issuers, the Company has set up the information disclosure in annual information disclosure (Form 56-1) and the Company will disclose all directors individually including role and responsibilities of Board of Director and sub committees including remuneration of directors and executives in annual report (Form 56-2).

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 January to June 2018 are summarized as follows:

1. 23 company visits from investors or analysts or through conference
2. 5 investor conferences both locally and in foreign countries.
 - Investor Conference and road show in Thailand 4 times
 - Investor Conference and road show in Foreign Countries 1 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. 1 site visit for investors and analysts

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

Contact person:	Ms. Nayika Wangmuthitakul (Manager -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 4 of those were independent directors, equivalent to more than one third of the members of the Board of Directors. These independent directors were qualified according to the announcements of Capital Market Supervisory Board and the Stock Exchange of Thailand to perform their duties efficiently and effectively at their full capacity to serve the Company.

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

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

In addition, Company's policies stipulated that directors shall not hold their directorships in more than 5 listed companies. In an event that a director also holds the same position in more than 5 listed companies, the Board of Directors will evaluate the effectiveness of his or her capacity in order to maintain his or her roles for the Company. At present, none of the Company's directors hold director positions in more than 5 listed companies.

2. Roles and Responsibility of Directors

The roles and responsibilities of the Board of Directors are to conduct business as approved by shareholders and according to the laws and resolutions of the shareholders' meetings and the meetings of Board of Directors. Additionally, the Board of Directors must exercise a good judgment in business decision-making and perform their duties with accountability, prudence and honesty for the best interests of the Company.

Corporate Governance Policies

The Company has written policies on its corporate governance in which the Board of Directors reviews and monitors annually. The Company shall uphold the rules and regulations set by the Capital Market Supervisory Board, the Securities and Exchange Commission and the Stock Exchange of Thailand and will publish corporate governance report in its annual report and disclosure report concerning additional information (Form 56-1).

Business Ethics

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

Conflict of Interests

The Board of Directors has set policies to prevent and mitigate any conflict of interest that require all directors and executives prepare reports of conflict of interest and submit to the corporate secretary. In any deliberation, decisions regarding business undertaking must be made for the best interest of

the Company and conflict of interest shall be avoided. Related parties or persons who have potential conflict of interest with the transaction under considerations must report the Company of nature of relationship and details on possible conflict of interest and shall not participate in the decision-making nor have authorities in approving that particular transaction.

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

Internal Control and Internal Audit

The Board of Directors has established comprehensive internal control systems covering all business aspects to ensure compliance to laws, rules and regulations as well as alignment with its goals. Moreover, an audit mechanism for checks and balances was set up to protect capitals of shareholders and assets of the Company. The Board has also set approving authorities and outlined responsibilities of executives and employees clearly in writing. Internal control department was formed to examine and monitor all business units' operations to comply with rules and regulations. The Audit Committee role is to continuously monitor business dealings to ensure effectiveness of internal control and credible financial reporting systems. Internal control department audits and reviews internal control systems of the Company as well as reports audit results to the Audit Committee.

Report of the Board of Directors

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

Independence of the Board of Directors from Management

Policies on independence of the Board of Directors from management are in place that clearly separate roles and responsibilities of the Board of Directors and management team. The Board of Directors is responsible for setting strategies, objectives, policies, work plans and business goals of the Company and making recommendations and overseeing the management team in performing their duties. The Board of Directors must understand scope of authority and responsibilities, clearly define delegation of authority of the management team and ensure that the management team perform their duties as assigned. The management team shall take responsibilities in managing and undertaking business according to strategies, policies and work plans that the Board of Directors approved.

Note that the person who holds the Chairman of the Board of Directors position is clearly disassociated from the CEO. Therefore, the Chairman and the CEO are different persons and have different authorities and responsibilities. Both positions must be selected and appointed by the Board of Directors in order to ensure the most qualified persons are chosen for the positions.

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 by setting up the annual meeting schedule in advance 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

• 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 in total of 5 topics in the evaluation are structure and qualifications of Board member, roles and responsibilities of the Board, Board's meeting, Board's function, and responsibilities to stakeholders.

At the end of June 2018, overall evaluation score in 5 sections was at 95%. 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, 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. Moreover, 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 at the end of June 2018 are summarized below

Unit: Percentage	
Subcommittee	Self-evaluation Score
Audit Committee	100
Risk Management Committee	98
Nomination and Remuneration Committee	88.4
Sustainable Development Committee	80

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. 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 appoint Corporate Secretary as required by the Securities and Exchange Act.

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 30 June, 2018, there are 3 independent directors as follows:

ชื่อ	ตำแหน่ง
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 30 June 2018, 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	Risk Management Committee Member

Ms. Anongnard Wannamas was appointed as the Secretary to the Risk Management Committee.

Roles and Responsibilities of the Risk Management Committee

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

Term of Office

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

3. Nomination and Remuneration Committee

As of 30 June 2018, Nomination and Remuneration Committee consists of 3 members as appointed by the Board of Directors, namely:

ชื่อ	ตำแหน่ง
1. Mr. Lucksananoi Punkrasamee	Chairman of the Nomination and Remuneration Committee
2. Mr. Supasak Jirasavinuprapand	Nomination and Remuneration Committee Member
3. Mr. Virach Seripanu	Nomination and Remuneration Committee Member

Ms. Anongnard Wannamas was appointed as the Secretary to the Nomination and Remuneration Committee.

Roles and Responsibilities of the Nomination and Remuneration Committee

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

Term of Office

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

4. Sustainable Development Committee

As of 30 June2018, 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 Sustainable Development Committee

Roles and Responsibilities of the Sustainable Development Committee

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

Term of Office

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

5. Executive Committee

The Board of Directors shall appoint a number of Directors as deemed appropriate to become members of the Executive Committee supervising the Company's business as assigned by the Board of Directors. Out of these members, one shall be appointed Chairman of the Executive Committee. As of 30 June2018, the Executive Committee comprises of 3 members, namely:

Name	Title/Position
1. Mrs. Kaisri Nuengsigkapien	Chairman of Executive Committee Member
2. Ms. Sunee Seripanu	Executive Committee Member
3. Mr. Virach Seripanu	Executive Committee Member

Roles and Responsibilities of the Executive Committee

1. Formulate overall policies, strategies and management structures in order to undertake the Company's business properly under economic environment and competition facing the business and propose to the Board of Directors for approval.
2. Approve business plans, budgets and scopes and levels of authorities of the Company and propose to the Board of Directors for approval.
3. Examine and monitor performance of the Company so it is in accordance with the approved polices and business plans and undertaken with efficiency and effectiveness.
4. Review and approve any contract and transaction entering related to usual business operations (ie. trading, investments, joint ventures in order to carry normal business transactions and to achieve the business' objectives) within the limit of 50,000,000 (fifty million) baht or equivalent per transaction.
5. Review and approve borrowings, credit/loan applications from financial institutions including lending, pledge, mortgage or being a guarantor by the Company or its subsidiaries under the limit of 50,000,000 (fifty million) baht or equivalent per transaction.
6. Review and approve the Company's projects and initiatives and report to the Board of Directors of projects' progress.
7. Manage overall risk of the Company, evaluate risks and design risk management structure of the Company.
8. Authorize a person or a group of persons to undertake specific duties under the monitoring of the Executive Committee or delegate person or group of persons with authorities as deemed appropriate and within the time period agreed by the Executive Committee. The Executive Committee shall cancel, revoke, change or withdraw that authorized person or that authorization as deemed appropriate.
9. Review and approve contacts, affairs and register with government agencies on behalf of the Company to achieve business' objectives of the Company.
10. Review and approve salary adjustments, annual bonus and other compensations and benefits for the employees (except Executive Committee members).
11. Undertake any duties or tasks assigned by the Board of Directors.

Nomination of Directors and Highest-Ranked Executive

1. Directors

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

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

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

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

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

• The Board of Directors

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

• Independent Directors

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

Qualifications of Independent Directors

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

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

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

2. Highest-Ranked Executive

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

Corporate Governance of Subsidiaries

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

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

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

Control of Internal Information

Internal Information supervision and control are considered a part of good corporate governance that the Company gives full attention to. Policies related to preventing the misuse of internal information that have or may have an impact on the Company's securities prices are imposed as a guideline and a measure to prevent internal information or important confidential information not disclosed to the public for personal benefits or benefits or others. This is in accordance with rules and

regulations stipulated by the Stock Exchange of Thailand, the Securities and Exchange Commission and other related rules and regulations. Policies are summarized below.

1. The Office of Company Secretary is responsible for educating directors and executives about the duty to report their securities holding and the holding of their spouse and minor children to SEC pursuant to Section 59 and penalty provisions under section 275 of the Securities and Exchange Act B.E.2535 (include the amendment) and to report the acquisition or disposition of the holding of their spouse and minor children to SEC under Section 246 and the penalty provisions under Section 298 of the Securities and Exchange Act B.E.2535 (include the amendment).
2. Directors and executives of the Company including their spouses and minor children must prepare and disclose reports related to the holding of securities and the changes in the Company's securities holdings to SEC pursuant to Section 59 and Section 246 which must inform corporate secretary who has duty assigned by Board of director to be acknowledged at least 1 day in advance before transaction incurred and send copies of this report of changes in securities holding in the Company to the Company the same day that the reports are submitted to SEC.
3. Directors, consultants, employees, persons working for the Company, related parties as well as other persons receiving internal information such as auditors, financial advisors and legal advisors must be careful when trading securities of the Company in the last month before the financial statements or internal information is disclosed to the public. And during 24 hours after the information of the Company has disclosed to the public those related to inside information must not disclose it to anyone unless they have indicated that data to the Stock Exchange of Thailand.
4. Directors, consultants, employees, persons working for the Company, related parties as well as other persons receiving internal information such as auditors, financial advisors and legal advisors are prohibited from using the information that hasn't been disclosed of the Company that affects stock prices of the Company, which they have learned by their positions or statuses to purchase, sell, offer to buy or sell, persuade others to buy or sell, offer to buy or sell shares or other securities of the Company (if any), whether directly or indirectly, in a manner that is likely to cause damage to the Company whether directly or indirectly. And whether such action would benefit themselves or others or would not benefit themselves or others.
5. Directors, consultants, employees, persons working for the Company, related parties as well as other persons receiving internal information such as auditors, financial advisors and legal advisors are prohibited from disclosing confidential business information of the Company to external parties especially competitors even after the termination of their positions and referring to external parties for their personal benefits and/or benefits of related parties.

Disclosure of information must conform to information disclosure policies. Employees in general have no duty related to information disclosure. In case of inquiry of information beyond their duties, employees shall suggest the inquirer to ask responsible persons directly for the purpose of information accuracy and alignment.

The Company has procedures to control and manage internal information or confidential information that affects stock prices as follow

1. Establish internal control systems to prevent internal information leakage
2. Safe keep the list of internal persons involved in the transaction that affects stock prices and not disclosed to the stock market ("Confidential Transaction")
3. Ensure that directors, executives and employees involved in confidential transaction are fully aware of their duties in treating internal information.
4. Provide confidentiality agreement for consultants and other vendors (combined as "consultant") and have them confirm that policies and systems are in place to comply with the agreement before granting access to the confidential information.
5. In case that a market sounding is required for the confidential transaction such as a capital increase or a tender offer, the Company shall have a full understanding of processes and plans as well as ensure an adequate information disclosure and prevent the misuse of confidential information.

Information on Changes in Securities Holding of Directors and Management of the Company in 2018 ^{1/}

				Unit: Percentage
Director/Management	Previously held	Acquisition	Disposal	Number of Shares as of 29 June 2018
1. Mrs. Kaisri Nuengsigkapien	363,700,620	492,300	0	2,534,500
2. Ms. Sunee Seripanu	363,700,620	2,501,400	0	366,202,020
3. Mr. Virach Seripanu	14,800,000	0	0	14,800,000
4. Mr. Somchai Apiwattanapron	0	0	0	0
5. Mr.Supasask Chirasavinuprapand	0	0	0	0
6. Mr. Surasak Khaoroptham	60,000	0	0	0
7. Mrs.Chananyarak Phetcharat	0	0	50,000	10,000
8. Mr. Lucksananoi Punkrasamee	0	0	0	0
9. Mr. Bundit Praditsuktavorn	0	0	0	0
10. Ms. Vorarat Laohathanakul ^{2/}	0	0	0	0
11. Ms. Piangkwan Seesutipo	0	3,000	0	3,000
12. Mr. Nopadol Tangdenchai	0	10,000	0	10,000
13. Mr. Sakesan Serksiri ^{3/}		0	0	0

Remark: ^{1/} Number of common shares held by directors and management in the table already includes number of shares held by their spouses and minor children
^{2/} Ms. Vorarat Laohathanakul resigned from the Company on 11 April 2018
^{3/} Mr. Sakesan Serksiri has been appointed as the management team on 1 May 2018

Compensation to Auditors

The annual General Shareholder Meeting of 2018 appointed E Y Office Company Limited with Ms. Runnapa 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 and/or Ms. Orawan Techawattanasirikul Reg. No. 4807 as auditor of the Company for 2018. Audit fees that the Company paid E Y Office Company Limited This can be divided into 0.88 million baht fee for the Company, 1.52 million baht for subsidiaries and 0.14 million baht 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 30 June 2018 with the amount of 0.16 million 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

The Company adheres to good corporate governance principles in managing its business by paying attention to the society and the environment and ensuring that all stakeholders are treated fairly. Compliance with the law is strictly observed in conducting business in order to attain stable and sustainable business growth.

Sustainable Development Committee formulated policies related to sustainable development as a guideline for handling sustainability management of the Company in the same direction so that directors, executives and employees at all levels can conform to in performing their duties to achieve a work culture that realizes the balance of economy, society and environment. Essential details of the policies are summarized below.

1. Sustainability strategy formulation and risk management to maintain stability and sustainability of the Company.
2. Fair business conduct and commitment to moral principles, ethics, laws, good corporate governance principles and the code of conduct.
3. Anti-corruption for all forms of corruption, honesty and righteousness in undertaking business without any fraud and bribery.
4. Respect for human rights, equal and equitable treatment of all stakeholders and no involvement in any action violating human rights.
5. Fair treatment of workers, workplace safety, proper compensation and benefits, knowledge and skill development, transparent and fair performance evaluation and no child labour and illegal worker.
6. Responsibility for consumers in conducting business by creating quality products under good standards to meet the needs of consumers.
7. Environment conservation, environmental-friendly sourcing of raw materials and product design, efficient resource utilization, environment quality management and development and improvement of environment management systems.
8. Community and society development through the Company's activities and collaboration with government agencies, associations, business partners, civil society sector and other stakeholders in developing and supporting communities and the society.
9. Business and social innovation development to create value added and growth for the Company in the long term.

Important Issues in Sustainable Development

The Company emphasizes on stipulating and prioritizing sustainable development issues by considering all issues crucial to its business conduct including other issues related to both internal and external stakeholders of the Company.

Steps in Assessing Important Issues in Sustainable Development

1. Analysis of issues that are essential to the Company

Consider and select sustainability issues that are important to its business conduct including its supply chain and consistent with the Company's business context and covering all sustainability issues related to economy, society and environment.

2. Assessment of important issues from impacts to stakeholders.

Evaluate and prioritize importance of issues that affect stakeholders and expectations of stakeholders that the Company concerns through various activities such as opinion and complaint acceptance and satisfaction survey.

3. Assessment of level of importance.

Prioritize sustainability issues in each aspect by considering 2 factors which are probability and impact to the organization and attention level and impact to stakeholders. Approval from Sustainable Development Committee on this must be obtained.

Important Issues in Sustainable Development

HIGH		• Innovation and Dissemination	• Fair business conduct • Responsibilities to Consumers
MEDIUM		• Respect for Human Rights • Anti-Corruption • Equitable Treatment of Employees • Environmental Conservation	
LOW	• Community and Social		
	LOW	MEDIUM	HIGH

Sustainable Development Initiatives

MC GROUP realized 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, debtors 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 3 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.

The Company announces and reviews its anti-corruption policy on a yearly basis including policies related to whistleblowing and complaint so that all stakeholders can inquire details, file complaints and report any misconduct, illegal behaviors, inaccuracy of financial reports, internal control problems or unethical behavior according to Corporate Governance Section 3 on roles of stakeholders. Details of complaints or whistleblowing and information of the complainants/whistleblowers will be protected and kept confidential to ensure that there will be no negative impact or damage to the whistleblower or the person giving information directly or indirectly

Thanks to its commitment to anti-corruption, the Company was certified as a member of Thailand's Private Sector Collective Action Coalition against Corruption since 18 August 2017.

3) Respect for Human Rights

The Company strictly conforms to laws and principles relating to human rights by setting a code of conduct to ensure that its employees work and treat one another equally and fairly with respect to personal rights and without discrimination by race, religion, gender and social or political status, to be in compliance with standard practices relating to human rights. The Company has determined not to support or promote any businesses that violate human rights. The Company also respects individual privacy of their employees and personal information such as salary, medical history or family data are kept strictly confidential not to disclose to outside or unrelated parties with the exception of that information disclosure is required by law.

The Company has acted equally to all stakeholders and carefully monitored the business to ensure it is not involved in any violation of human rights and support partners to operate business with non-violated of human rights as well. 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. From the past year, there was no record of any violation of human rights.

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 employment, compensation and benefits, skill development, quality of life 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.

Employment

The Company has employment policy for non-discrimination and equality opportunities for female, disabled persons or other underprivileged people to be suitable in each duty and position and non-employment for child and illegal labors.

To compliance with Promotion and development of life quality of Disabled persons, the Company has employed disabled persons continuously with suitable position to enhance the equality and

diversity in organization which also help the career as well. In year 2018, the Company has joined the project labor law to support Wheelchair Basketball Association by hiring the athletes to work with MC Group to enhance the skill and capabilities for other aspects and also income-generating.

In addition, the Company has gender equality in term of employment and career path's growth. MC group has hired female gender in equal proportion to male gender and two of six executives are female, this accelerates the opportunity and promotion of gender equality.

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.

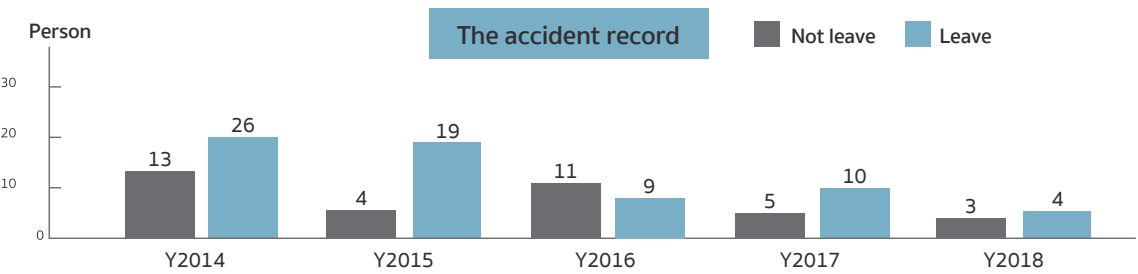
In addition, the Company takes care of employees' children through scholarship programs for eligible students who passed the selection process at different levels from kindergarten to higher education to lessen financial burdens of its employees, create educational opportunities and motivates students to further their studies to become the mainspring for the nation in the future.

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 cares about general safety of employees for both their health and their properties as evidenced from its safety alarms in the buildings, fireman team for each factory and purchase of structural fire gear including its safety training such as an annual fire drill with proper plans and formats. These procedures are in accordance with concrete and safety and environmental standards and other related regulations under new laws. Safety trainings are regularly conducted not only internally such as courses on Safety Health and Environment course for employees, basic safety course for employee, basic Firefighting and Fire Drill but also externally through collaboration with other agencies such as Regulatory Updates and Interpretation Curriculum, Safety Thailand to Safety Work for Employee Health, Crisis Response Training and Production Process Safety Measure 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.



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.

To ensure that employees have good quality of life outside work, the Company organised a training on basic medical care rights for its employees under collaboration with Social Security Office with the objective to raise awareness for its employees on their rights they are entitled to. Furthermore, the Company realised the importance of financial wellness of its employees as a critical factor affecting quality of life. Therefore, the Company worked together with the Government Savings Bank to offer low-interest loans to the employees. This is an option for employees to manage and restructure their debts and replace high-interest shark loans with low-interest loans. Better financial health will improve mental health and finally enhance quality of life of the employees.

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 proble

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.

At the end of June 2018, the Company encouraged employees to participate in various trainings totaling 12 curriculums and 6,624 hours or equivalent to the average number of training hours per employee of 11 hours.

The Company realizes the importance of communications between executives and salespersons who are the majority of employees spreading across branches throughout Thailand. The Company adopted online media by using Facebook Live under Pooky Live for executives and salespersons to express their opinions together. Moreover, this is considered a channel that salespersons can share their experiences and sales techniques with others to boost morale and motivate each other in performing their tasks.

In addition to the above, the Company encourages employees to participate and voice their opinions in the annual Employee Opinon 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.

At the end of June 2018, the Company added more varieties of lifestyle products while stressed on quality, use of fabrics with special properties, modern designs and functional features perfect for everyday life and different lifestyles. "Mc Biker Denim 'Motorcycle Series'" was inspired by car-racing outfit properties that offer the ease of wearing from combining denim made from safety-enhanced Kevlar with Spandex and T400 that promote flexibility and elasticity of the fabric. "Innerwear" was premiered as 100% cotton t-shirts designed for minimalists. "Mc Selvedge Walker" sneakers apply uniqueness of red selvedge denim to footwear by decorating with tapes. Moreover, in collaboration with the Walt Disney Thailand, the Company launched copyrighted Marvel Sport Fashion Collection with modern patterns and designs. Last but not least, Perfect Hoodie was introduced to the market as sport jackets using the reflective technique for front logos and the emboss technique for the back that allow wearers to freely mix&match with other apparels perfectly.

Furthermore, the Company expanded spaces in its branches to address higher demands of consumers. At the end of June 2018, the Company had a total of 880 locations that enable the Company to manage its products without difficulties. The Company can also introduce a variety of new products and organize sales promotion campaigns to better offer new experiences and fun to consumers leveraging on this extensive network. In order to enhance convenience for consumers in purchasing its products, the Company brushed up its online channel through mcshop.com website by improving its format and promoting new interesting features which are attractive and well-structured so that consumers can enjoy user-friendly and convenient online shopping experience.

The Company implemented a customer relationship management (CRM) system to register our customers for exclusive membership under the name "MC CLUB" with the following objectives.

1. To offer new experience and fun for customers in purchasing its products.
2. To better understand customers so that the Company can benefit from customer information in product development or other direct marketing campaigns.
3. To provide privileges to customers such as MC Point, a points system that members can collect points for rewards, and special prices.

All customers can apply for MC CLUB membership free of charge through 2 channels either with any Mc Jeans branch or through the website <http://mcclub.mcshop.com>

Besides, in order to link offline and online channels together to create seamless shopping experience, the Company recently provides a delivery service “Ship to Shop” to accommodate customers who purchase products through its website mcshop.com where customers can pick up products they order online at Mc Jeans shops near them. Customers can check the products they purchase at the spot after delivery and can receive after-sales services such as size change or length adjustment instantly at respective Mc Jeans shops.

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 quality of wastewater disposal from factory and total suspended particulate. 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 has 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 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

The Company has wastewater treatment system and monitor for drinking water to meet the standards as regulated by the law.

1.2 Efficient resources management

For 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.

2. Employee education

The Company never overlooks the importance of sharing knowledge on environment to its employees regularly. Employees are sent to attend trainings held by different agencies such as Environmental

Manager Training, Chemical Use Safety, Employee Development Program on the Assessment of Internal Energy Management, Guidelines to Water Management for Industrial Sector and How to Deal With Drug Abuse Problems at Workplace.

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

In 2017, the Company introduced light jacket hoodies to the market. This product is made from recycled plastic bottles using innovative technique to make it light as well as wind and vapor proof that enhances comfort and agility suitable for wearing. The use of fabrics from recycled plastic to make the jackets can reduce environmental impacts in a sustainable way.

Last but not least, the Company continues its initiatives in taking care of workplace environment as usual including the replacement of traditional lightbulbs with LED bulbs to save energy, reused paper project, green space for workplace project and electricity savings at lunch break project.

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.

At the end of June 2018, 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 GROUP Delivering Happiness to Children at Huay Kub Kab Village, Chiang Mai

The Company sponsored “Caravan-Rally – Rain Protection for Kids, Happy You, Happier Me” project with the route Bangkok-Mae Tang-Chiang Mai from 8-10 June 2018 to deliver rain gears, apparels and other necessities to children and villagers at Huay Kub Kab Village under the intention to support the development of the country by enhancing the quality of living of communities and the society in a sustainable manner.



Sustainable Agriculture for Thai Farmers Under Sufficiency Economy Project

The Company supported Thai farmers in adopting sustainable agriculture practices under sufficiency economy philosophy on the occasion of Rice and Farmer’s Day on 5 June 2018 by purchasing 15,000 kilograms of “Sarus Crane Rice” which is organic jasmine rice grown by farmers at Ban Sawai Sor, Buriram. The area is known to welcome Thai eastern sarus cranes, recorded to be

extinct for over 50 years that returned and live naturally again through its organic farming methods that care for traditional lifestyles and nature and promote sustainable ecosystems. The rice is clean, delicious, full of nutrition and chemical-free. The Company repackaged the rice to offer to customers who purchased our products as gifts under “Free Gift Sarus Rice” program.



ข้าวหอมมะลิ เกษตรอินทรีย์ ปลอดสารพิษ

ข้าวหอมมะลิอินทรีย์ ปลูกภายใต้ ป่านเขาชะลอก บึงสีฐาน ข้าวคุณภาพสูง ปลูกด้วยวิธีของจังหวัด ในเกษตรอินทรีย์ภายใต้ มาตรฐานกว่า 50 ปี ได้ทั้งรสชาติและประโยชน์สูงสุดตามธรรมชาติไร้สารเคมีและยาฆ่าแมลง ปลอดภัยต่อผู้บริโภค และธรรมชาติจึงได้ข้าวดีสุขภาพ ปลอดภัยจากสารพิษ ปลอดภัยต่อคน และปลอดภัยกับสิ่งแวดล้อม

5 มิถุนายน 2561

วันข้าวและชาวนาแห่งชาติ

แม้ดินสอเป็นส่วนหนึ่งในการสนับสนุนชาวนาไทย ให้มีระบบการเกษตรที่ยั่งยืนตามหลักเศรษฐกิจพอเพียง

รับฟรี

ข้าวหอมมะลิ เกษตรอินทรีย์ ปลอดสารพิษ 1 ถุง*

เมื่อซื้อสินค้าครบทุก 1,000 บาท

9 - 11 มิ.ย. 61 หรือจนกว่าสิ้นกำหนด



*เงื่อนไข • บริษัท Me Cool จำกัด ขอเชิญลูกค้าซื้อสินค้าครบทุก 1,000 บาท หรือ 1 ถุง (เท่ากับ 100 บาท) • สินค้าที่เข้าร่วมโปรโมชั่นนี้ต้องมีสติ๊กเกอร์ติดตัวสินค้า • สินค้าที่เข้าร่วมรายการนี้จะมีมูลค่า 1,100 บาท และค่าจัดส่ง Me Cool 1,000 บาท • ลูกค้าสามารถนำใบเสร็จรับเงินมาแลกข้าวหอมมะลิอินทรีย์ได้ • บริษัทฯ ขอสงวนสิทธิ์ในการเปลี่ยนแปลงรายละเอียดโดยไม่ต้องแจ้งให้ทราบล่วงหน้า • บริษัทฯ ขอสงวนสิทธิ์ในการเปลี่ยนแปลงรายละเอียดโดยไม่ต้องแจ้งให้ทราบล่วงหน้า

The Company created apparel innovations to meet the needs of consumers of every group, age and lifestyle as follow.

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.

MC COOL Denim Innovation

With Thailand's tropical climate that affects how consumers choose and purchase apparels, MC COOL was innovated to enhance fabric properties to stay at normal body temperature (37 °C) as the temperature outside is rising higher than body temperature and adapt to temperature of the surroundings. The fabric not only helps keep the temperature and maintain body temperature but also ventilate and control moistures. This mechanism enables the fabric to dry fast and feel comfortable throughout wearing.



McT Innovation

- McT, wearable t-shirts for both men and women, made with fabric innovation and production technology that offer special properties of wearing comfort perfect for all movement activities and diverse lifestyles. This innovation exhibits these listed technologies below.
- SoftTech – a new brushing technology using brush heads made from special materials that allow micro-brush fabric with fine, spongy, dense and velvet-like feathers which gives a desirable soft feel.
- Dri-Balance – a 2-layered fabric innovation with the inner layer made from microfiber polyester with a property in absorbing sweats and the outer layer made from cotton that helps ventilation. This fabric gives dry and comfort feeling when wearing.
- Shimauma – a cotton comfort 100% weaving technology that offers dense but light fabric. Shimauma is famous for its unique texture and patterns as well as its softness that gives wearing comfort.



Anti-Mosquito Fabric Innovation

The Company came up with an innovation to support daily lifestyles with anti-mosquito t-shirts that are made by new sewing process technology using fabric treated by permethrin synthesized from chrysanthemums. The fabric has been tested and certified of its anti-mosquito property without irritation to skin or harm to body.



MC ANTI MOSQ

นวัตกรรมใหม่จากแบคทีเรียสกัดจากพืช

เนื้อผ้ามีส่วนผสมจากธรรมชาติ คือ เพอร์เมทรีน (Permethrin)
ซึ่งสังเคราะห์จากดอกเบญจมาศ ซึ่งมีคุณสมบัติกันยุง โดยไม่เป็นอันตรายต่อร่างกาย

ใช้ผ่านการทดสอบและรับรองเป็นที่เรียบร้อยแล้ว

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 Apiwattanaporn, 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 2018 there were 2 meetings. All audit committee members attended every meeting, details of which are as follows:

Name	Position	Meeting Attendance
1. Mr. Somchai Apiwattanaporn	Chairman of the Audit Committee	2/2
2. Mr. Lucksananoi Punkrasamee	Member of Audit Committee	2/2
3. Mr. Supasask Chirasavinuprapand	Member of Audit Committee	2/2

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 2018 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 Corporate Governance Code for Listed Companies 2017. 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 2017.

Consideration, selection and nomination of the auditor

The Audit Committee has assessed performance of the auditor for the year 2018, 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

The Audit Committee self-assessed its operation for the year 2018 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 88.54%. 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.



Mr. Somchai Apiwattanaporn
Chairman of the Audit Committee
27 August 2018

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

Our board of directors of MC Group Public Company Limited (“the Company”) realize the importance of appropriate internal control by reviewing the adequacy and the efficiency of internal control and audit system in every year to be consistent and compliance with COSO (The Committee of Sponsoring Organizations of the Treadway Commission), consisting of 5 main categories and 17 principles to ensure our business for goal achievements by conclusions regarding the Company' internal control systems as mentioned below.

1. Control Environment

The Company's organizational environment and structure favor implementation of the internal control system. MC Group has improved to the policies, procedure, organizational structure and management team. Also, consistently values business integrity and ethics. Therefore, the reviewed of Good Corporate Governance and Business ethics every year. To the appropriate with the change and growth of the business. MC Group continued its emphasis on the No-Gift Policy in an effort to step up corporate governance and lay down a solid foundation for fair treatment, equitable and corruption of all. In prior year, MC Group has entitled CAC recertification (CAC-Thailand's Private Sector Collective Action Coalition against Corruption) already on August,18 .2017

The Company has set up and instituted measures for whistle-blowing and complaint-filing against violations of the law and the code of conduct, or behavior potentially classified as frauds or malfeasance of those inside the Company or of stakeholders, including inaccurate financial reports or deficient internal controls. The Board has also instituted protective measures for whistle-blowers for stakeholder's greater stewardship of Company.

2. Risk Management

The Company has appointed the Enterprise-wide Risk Management Committee to define policies, strategies and enterprise-wide risk management goals include monitor risk management of the organization of the efficiency and appointed the Risk Management team. It consists of Top Management from every department. Acting in Risk Indicators, Risk assessment, Risk management Comprehensive every level risk management of the organization based on the work flow. Follow up the results and improvement a risk management system under the policy of the Risk Management Committee.

3. Control Activity

The Company focus for the internal control whole of the organization. with segregation of responsibilities for checks and balances. This year, for business suitability, MC Group revised and redefined the authority and approval authority for various levels. Checks and balances were enforced by units and panels specifically appointed, including Risk Management team, Supply Chain management team, Internal audit department etc. So that, Custodianship and stewardship of Company properties to prevent losses or abuses have been instituted. The Company transactions with long-term obligations are properly monitored for contractual compliance. Measures are in place to prevent self-gains of Company opportunities or benefits. The Company announcement internal data protection and Disclosure policy. To control the misuse of internal information. Before the time should be revealed by review of internal information is performed on a quarterly basis and Make sure the person on the list signs the confidentiality agreement.

4. Information and Communication

MC Group developed its information system and data system for work readiness and security under a policy for IT system safety. Also, The Company used the accounting system. SAP Enterprise

Resource Planning (ERP). The Company record, save, analysis and performance to the efficiency. Have budget management system, Inventory management include development of accounting data. This increases the efficiency of the work. But The improvement IT Infrastructure and other project, MC Group adhered to the COBIT Framework To ensure that the use of information technology resources is consistent with the organization's purpose. And efficient use of resources under the corporate IT security policy and Information system deployment standard while remaining committed to corporate governance.

5. Monitoring Activities

The Company commands a performance tracking system by having a committee regularly compare performance results against goals, so that factors potentially impacting performance can lead to strategic plan adjustment and goal achievement. An internal audit department reviewed the internal control in the operation and reporting to the Audit Committee.

Opinion of the Audit Committee on the internal control system.

The Audit Committee reviewed the internal control system of the Company and commented that the Company has adequate, appropriate internal control system according to the policies, procedure, compliance and Good Corporate Governance.

Therefore, EY Office Ltd. as the Company's external auditor. Evaluate the effectiveness of the Company's internal control system and found no significant issues or weak points relating to the Company's internal control systems.

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 30 June 2018, 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 2017 (Million Baht)	Rationale
1. SS Challenge Co., Ltd. Relationships: Ms. Sunee Seripanu as a shareholder	MC GROUP Plc rented lands, Design Center building and Mc Studio building.	8.20	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 Compan
2. Data Hunter Co., Ltd. Relationships: Mr. Viwat Seripanu as a shareholder together with the company (the Majority shareholder of Data Hunter Co., Ltd. is a brother of Majority shareholders and the Directors)	Data Hunter Co., provided the information technology services to MC GROUP Plc.	0.15	Data Hunter Co., Ltd. provided the services of information technology to MC GROUP Plc as a usual business. The services fee and the conditions of services shall be in line with the services contract therefore, it was reasonable to compare with the general conditions of common business partner.
3. Nature Touch International Co., Ltd. Relationships: Mr. Wiriya Phungsoonthorn as a shareholder and a director.	MC GROUP Plc bought the instant products, skin care products and aromatherapy products from Nature Touch International Co., Ltd.	0.18	Nature Touch Co., Ltd. sold the instant products including various skin care products and aromatherapy products which were the usual business and the reasonable price was fair according to the contract.
4. S.C.LAW Office Co., Ltd. Relationships: Mr.Supasak Chirasavinuprapand as a director.	MC GROUP Plc hired the S.C.LAW Office Co., Ltd. to be a legal consultant.	0.05	S.C.LAW Office Co., Ltd. provided the legal services with the reasonable rate according to the legal services agreement.
4. S.C.LAW Office Co., Ltd. Relationships: Mr.Supasak Chirasavinuprapand as a director.	MC GROUP Plc hired the S.C.LAW Office Co., Ltd. to be a legal consultant.	0.05	S.C.LAW Office Co., Ltd. provided the legal services with the reasonable rate according to the legal services agreement.
5. Mr. Wiriya Phungsoonthorn Relationships: Mr.Wiriya Phungsoonthorn as a director of Aromatique Active Co., Ltd.	Aromatique Active Co., Ltd. hired Mr. Wiriya Phungsoonthorn in a products development consultant position.	0.45	Mr.Wiriya Phungsoonthorn provided the services as a products development consultant. The services fee of the consultant contract is the reasonable rate.
6. Panapat Co., Ltd. Relationships: Mr. Panu Narongchaikul as a shareholder and a director	Time Deco Corporation Limited, a subsidiary rented an office building from Panapat Co., Ltd.	0.03	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.

บริษัทที่เกี่ยวข้องกัน	ลักษณะรายการ	มูลค่ารายการ ปี 2560 (ล้านบาท)	เหตุผลความจำเป็น
7. 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.	0.64	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.	0.49	
8. Mr.Panu Narongchaikul Relationships: as a shareholder of Time Deco Corporation Limited, a subsidiary	Time Deco Corporation Limited, a subsidiary sell the instant products to Mr. Panu Narongchaikul	0.02	The instant selling was a reasonable and suitable price according to the agreement.
9. SS Challenge Co., Ltd. Relationships: Ms. Sunee Seripanu as a shareholder	Look Balance Co., Ltd., a subsidiary rented building and service from Blurista	0.02	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.
	Look Balance Co., Ltd., a subsidiary bought building, constructions and equipment	12.2	

Necessity and Reasonableness of Transactions

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

Policies and Trend of Related Party Transactions in the Future

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis for fiscal year 2018

Overall Business Performance

The Company reported its total sales revenue for the 6-month period of 2018 of THB 1,974 mn., declined by 7.7% or equivalent to THB 165 mn. from the same period last year due to high base of sales of black and white attires, continued spending slumps from contraction of agricultural product prices and the focus on cost-effective sales promotion to show up profitability prior to consumption recovery thanks to new stores opening, total sales revenue decreased at a lesser degree than same store sales which dropped by 12.0% from the 6 months period of 2017.

As of 30th June 2018, the Company had a total of 894 outlets according to the distribution channel management as follows:

By distribution channel	Apparel and lifestyle Products under "MC Group"		Watch Products under "Time Deco"	
	Number of POS	Increase (+) / Decrease (-)	Number of POS	Increase (+) / Decrease (-)
Free standing shop	288	+3	14	-1
Modern Trade	493	+5	79	-8
Mobile Unit	6	-	-	-
Total POS (Domestic)	787	+8	93	-9
International markets	14	+1	-	-
Total	801	+9	93	-9

*During January to June 2018, Mc Group has 15 new points of sale and 5 enlarged stores.

In Y2018 ended on 30th June 2018, the Company recorded overall gross profit of THB 1,129 mn. or a 3.4% increase or equivalent to THB 37 mn. from the same period last year from Customer Relationship Management program by having 'Mc Club' members with point rewards for brand loyalty and the collaboration with other business partners, resulting in gross profit margin at 57.2% increased from 51.0% from the 6 months period of 2017.

Selling, general and administrative (SG&A) expenses for the 6 months period of 2018 were at THB 782 mn. a slight rise of 2.8% or THB 21 mn. mainly due to higher marketing expenses. SG&A expenses to total sales revenue edged up to 39.6% from 35.6% in the same period last year.

The Company's earnings before interest, taxes, depreciation and amortization (EBITDA) was at THB 454 mn. increased at 3.0% from the 6 months period of 2017. This is equivalent to an EBITDA margin of 22.5%, up from the same period last year which EBITDA margin was at 20.4%.

The effective tax rate for the 6 months period of 2018 stood at 7.1%, a decrease of 9.6% from the same period last year as result of the sale drop from Mc group and the Company still has the lower-than-statutory tax rate thanks to the tax privileges under Investment Promotion Act granted to the Company's subsidiary. These tax privileges will gradually expire in 2019 and 2021.

The Company registered a net profit of THB 350mn., an increase 8.8% or equivalent to THB 28 mn. from the 6 months period last year, mainly due to overall gross profit margin shift to 17.4% from 14.9% in the same period last year.

Financial Position Analysis

Assets

As of 30 June 2018, the Company recorded total assets of THB 4,826.5 mn. compared to THB 5,081.8 mn. as of 31 December 2017. A decrease of THB 255.3 mn. in total assets was main results of

- 1) An increase in cash and short-term investment of THB 39.7 mn.
- 2) A decrease in trade and account receivables of THB 174.0 mn.

- 3) A decrease in inventory of THB 71.7 mn.
- 4) A decrease in other current assets of THB 24.3 mn.
- 5) And a net decrease in property, plant and equipment of THB 21.5 mn.

Liabilities

As of 30 June 2018, the Company had THB 546.9 mn. in total liabilities, fell by THB 367.2 mn. from THB 914.1 mn. as of 31 December 2017. This was mainly due to a decrease of THB 78.7 mn. in short-term loan and liabilities and THB 36.7 mn. in tax payables.

Shareholders' Equity

As of 30 June 2018, shareholders' equity of the Company amounted to THB 4,279.7 mn., rising by THB 112.0 mn. from THB 4,167.7 mn. as of 31 December 2017. The main factors contributing to an increase of total comprehensive income for 6m2018 of THB 349.5 mn. and net dividend payment of THB 240.0 mn.

Liquidity

As of 30 June 2018, cash and cash equivalents of the Company decreased by THB 203.2 mn. from 31 December 2017 to THB 350.3 mn. as a result of following factors:

- 1) Cash flow from operations of THB 401.3 mn. driven mainly by the Company's cash profit of THB 472.5 mn., payments received from trade receivables and other receivables of THB 146.7 mn., a fall in inventories of THB 76.8 mn., payments to trade payables and other payables of THB 247.8 mn. and tax expenses of THB 63.3 mn.
- 2) Cash flow from investment activities of THB 280.2 mn. due to a decrease in short-term investment of THB 242.4 mn. and the net purchase of property, plant and equipment for business expansion of THB 33.6 mn.
- 3) Cash flow from financing activities of THB 324.3 mn. of which came from the payment of dividend at THB 245.0 mn. and short-term loans from financial institutions of one of the Company's subsidiaries at THB 78.7 mn.

Outlook

The Company remains committed in its strategic business plan to be responded with the rapid change of customer's behavior and to maximize the most efficiency in business operation as follows:

- E-Commerce business through mcshop.com and Omni Channel management to facilitate seamless offline/online shopping experience and boost sale growth at point of sale including new customer-base expansion by brand-new product selection to meet client satisfaction and advertisement including marketing communication via Micro Influencers to consumer and new target group's awareness.

- Distribution channel management with the most efficiency in expansion of "Mc" store and "mcmc Outlet" stores which are being expanded PTT gas stations beyond to attract more customers in local communities, offering value-for-money and clearance items. For "Time Deco" shop expansion, "Mono Brand" concept stores are piloted in certain location to present the brand's unique selling points.

- Product management The company will launch Activewear with collection under U-P Warrix by collaboration with the leading Thai football apparel retailer by sport and fashion design collided style with functions performing different fun and powerful activities and creatively meet customer needs with multi lifestyle after postponement of official launch last year. Denim and non-denim products including other accessories still are emphasized on continued development for comprehensive and modern selections together with new innovation to best fit with all customer groups. Luxury fashion and lifestyle fashion watches also have been added with newly 'Armani Exchange' brand in portfolio. Skincare and aromatherapy products are developed from natural ingredient extract, free of silicones and paraben free and mineral oil for customers who love healthy skin, great personality and beauty with newly-launched products, i.e. facial spray mists, hand cream.

- Customer base through Customer Relationship management under "Mc Club" membership program for more convenient offers to customers and one of crucial part of modern marketing communication and collaboration with other product brands to build and expand more loyal customer bases.

Income Statement

(THB millions)	Year		
	2018 (Jan-Jun)	2017 (Jan-Jun)	% chg
Sales revenue	1,974	2,139	(7.7%)
Total revenue	2,014	2,161	(6.8%)
COGS	845	1,047	(19.3%)
Selling expenses	541	523	3.6%
Administrative expenses	240	238	0.9%
Earnings before share of profit (loss) from JV	387	353	9.6%
Share of profit (loss) from JV	(3)	6	(140.1%)
EBIT	385	360	6.9%
Finance cost	0	1	(61.1%)
EBT	384	359	7.2%
Income tax expenses	27	34	(20.2%)
Net income	357	324	10.1%
Non-controlling interest	(7)	(3)	157.7%
Net income to the firm	350	327	6.8%

Balance Sheet :

(THB millions)	30-Jun-18	31-Dec-17	% chg
Cash and short term investments	1,011	971	4.1%
Account receivables	382	552	(30.9%)
Inventory	2,145	2,216	(3.2%)
Other assets	1,289	1,342	(3.9%)
Total assets	4,827	5,082	(5.0%)
Account payables	210	381	(45.0%)
Interest-bearing liabilities	16	95	(83.2%)
Other liabilities	321	438	(26.7%)
Total liabilities	547	914	(40.2%)
Equity attributable to the firm	4,134	4,009	3.1%
Non-controlling interest	146	143	1.7%
Shareholders' equity	4,280	4,168	2.7%

Key Financial Ratio :

Financial Ratios			
Liquidity Ratios		30-Jun-18	31-Dec-17
Current Ratio	times	7.5	4.6
		2018 (Jan-Jun)	2017 (Jan-Jun)
Average Days Receivable	days	43	57
Average Days in Finished Goods Inventory	days	449	323
Average Days Payable	days	63	78
Cash cycle	days	429	301
Profitability Ratios		2018 (Jan-Jun)	2017 (Jan-Jun)
Gross Profit Margin	%	57.2	51.0
- Apparel business	%	58.6	51.6
- Time Deco	%	42.6	44.1
Net Profit Margin	%	17.4	14.9
- Apparel business	%	18.9	16.2
- Time Deco	%	7.0	3.1
EBITDA Margin	%	22.5	20.4
Return on Equity (Annualized)	%	17.2	15.6
Efficiency Ratios		2018 (Jan-Jun)	2017 (Jan-Jun)
Return on Assets (Annualized)	%	14.1	12.5
Leverage Ratios		30-Jun-18	31-Dec-17
Interest Bearing Debt to Equity	times	0.00	0.02
Debt to Equity Ratio	times	0.13	0.22

DECLARATION OF THE DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

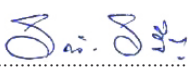
The Board of Directors of MC GROUP Plc has prepared the Company's financial statements to show its financial status and performance for 2018 under the Public Company Limited Act of 1992, the Accounting Act of 2000, the Securities and Exchange Act of 1992, and the announcement of the Capital Market Supervisory Board concerning the criteria, conditions, and reporting method for the disclosure of information on financial status and performance of companies that issue securities.

The Board recognizes its duties and responsibility for directing a listed company, particularly the responsibility for financial statements of the Company and its subsidiaries – including financial information that appears in the annual report of 2018. Such statements have been prepared under generally accepted accounting standards, which regularly complies with a suitable accounting policies and due and reasonable discretion exercised in the preparation of financial statements. Adequate significant information has been disclosed in the notes to these financial statements for transparent use by shareholders and investors at large.

The Board has instituted and maintained effective risk management and internal control systems to become reasonably confident of accurate, complete, and adequate accounting information to retain Company assets and prevent frauds or significant anomalies in operation.

The Audit Committee, acting on behalf of the Board, has been assigned responsibility for the quality of financial reports and internal control system, and its opinions duly appear in its own report found in this publication.

It is our view that the Company's internal control system is, on the whole, satisfactory and can reasonably assure us that the financial statements of the Company and its subsidiaries ended June 30, 2018 are reliable under generally accepted accounting standards, legally sound, and acceptable to relevant regulations.



(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. Runnapa Lertsuwankul and/or Ms. Pimjai Manitkajohnkit and/or Ms. Rosaporn Decharkom and/or Ms. Sumana Punpongsanon and/or Ms. Ms. Orawan Techawatanasirikul, Certified Public Accountant No. 3516, 4521, 5659, 5872 and 4807 respectively.

MC GROUP

**MC GROUP PUBLIC COMPANY LIMITED AND ITS
SUBSIDIARIES REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS 30 June 2018**

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 30 June 2018, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the period as from 1 January 2018 to 30 June 2018, 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 30 June 2018, their financial performance and cash flows for the period as from 1 January 2018 to 30 June 2018 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 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 to each matter are described below.

Major source of revenue

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 period as from 1 January 2018 to 30 June 2018, accounted for approximately 91 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, gained understanding of the nature and sales conditions of each channel to evaluate the appropriateness of the accounting policy, and on a sampling basis, examined supporting documents for sales transactions occurring during the period as from 1 January 2018 to 30 June 2018 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 discussed in Note 15 to the financial statements, as at 30 June 2018, the Company had an outstanding balance of goodwill from the acquisition of its subsidiary of Baht 108 million. I focused on the examination of the estimates of the recoverable value of the cash generating units that related to the goodwill 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 and also tested calculation.

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 procedures 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.

I am responsible for the audit resulting in this independent auditor's report.

Sumana Punpongsanon

Certified Public Accountant (Thailand) No. 5872

EY Office Limited

Bangkok: 28 August 2018

MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries

Statement of financial position

As at 30 June 2018

				(Unit: Baht)	
		Consolidated financial statements		Separate financial statements	
	Note	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Assets					
Current assets					
Cash and cash equivalents	7	350,343,204	553,503,625	262,540,334	474,729,809
Current investments	8	660,795,707	417,910,910	660,795,707	417,910,910
Trade and other receivables	6, 9	417,846,768	591,896,609	736,930,588	866,552,247
Short-term loans to related parties	6	-	-	5,944,912	-
Inventories	10	2,144,629,171	2,216,307,129	2,615,058,304	2,661,208,238
Other current assets	6, 11	111,242,487	135,510,031	46,158,612	64,197,326
Total current assets		3,684,857,337	3,915,128,304	4,327,428,457	4,484,598,530
Non-current assets					
Investments in subsidiaries	12	-	-	499,953,304	504,353,204
Investments in joint ventrue	13	40,301,040	33,705,094	-	-
Property, plant and equipment	14	470,076,588	491,605,572	404,715,295	433,674,718
Goodwill	15	107,783,356	107,783,356	-	-
Intangible assets	16	178,261,975	185,914,087	173,911,083	181,035,097
Deferred tax assets	23	205,163,478	206,043,436	101,248,400	101,910,191
Rental deposits		111,414,196	111,166,569	103,882,365	101,624,784
Other non-current assets	6	28,650,756	30,443,906	27,507,292	28,801,601
Total non-current assets		1,141,651,389	1,166,662,020	1,311,217,739	1,351,399,595
Total assets		4,826,508,726	5,081,790,324	5,638,646,196	5,835,998,125

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

MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries

Statement of financial position

As at 30 June 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>30 June 2018</u>	<u>31 December 2017</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
Assets					
Current assets					
Cash and cash equivalents	7	350,343,204	553,503,625	262,540,334	474,729,809
Current investments	8	660,795,707	417,910,910	660,795,707	417,910,910
Trade and other receivables	6, 9	417,846,768	591,896,609	736,930,588	866,552,247
Short-term loans to related parties	6	-	-	5,944,912	-
Inventories	10	2,144,629,171	2,216,307,129	2,615,058,304	2,661,208,238
Other current assets	6, 11	111,242,487	135,510,031	46,158,612	64,197,326
Total current assets		3,684,857,337	3,915,128,304	4,327,428,457	4,484,598,530
Non-current assets					
Investments in subsidiaries	12	-	-	499,953,304	504,353,204
Investments in joint ventrue	13	40,301,040	33,705,094	-	-
Property, plant and equipment	14	470,076,588	491,605,572	404,715,295	433,674,718
Goodwill	15	107,783,356	107,783,356	-	-
Intangible assets	16	178,261,975	185,914,087	173,911,083	181,035,097
Deferred tax assets	23	205,163,478	206,043,436	101,248,400	101,910,191
Rental deposits		111,414,196	111,166,569	103,882,365	101,624,784
Other non-current assets	6	28,650,756	30,443,906	27,507,292	28,801,601
Total non-current assets		1,141,651,389	1,166,662,020	1,311,217,739	1,351,399,595
Total assets		4,826,508,726	5,081,790,324	5,638,646,196	5,835,998,125

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 30 June 2018

(Unit: Baht)					
		Consolidated financial statements		Separate financial statements	
	Note	30 June 2018	31 December 2017	30 June 2018	31 December 2017
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
Deficit from the change in the ownership interest					
in subsidiary		(2,626,281)	(2,626,281)	-	-
Retained earnings					
Appropriated - statutory reserve	21	65,000,000	65,000,000	40,000,000	40,000,000
Unappropriated		846,636,085	737,092,257	1,057,106,359	1,061,303,490
Other comprehensive income		40,180	40,180	-	-
Equity attributable to owners of the Company		4,133,975,622	4,024,431,794	4,322,031,997	4,326,229,128
Non-controlling interests of the subsidiaries		145,676,986	143,270,899	-	-
Total shareholders' equity		4,279,652,608	4,167,702,693	4,322,031,997	4,326,229,128
Total liabilities and shareholders' equity		4,826,508,726	5,081,790,324	5,638,646,196	5,835,998,125
		-	-	-	-

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

MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries

Income statement

For the period as from 1 January 2018 to 30 June 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		For the period		For the period	
		as from	For the	as from	For the
		1 January 2018 to	year ended	1 January 2018 to	year ended
		30 June 2018	31 December 2017	30 June 2018	31 December 2017
Profit or loss:					
Income					
Sales income	6	1,973,570,446	4,227,919,523	1,780,146,454	3,827,229,559
Dividend income	6, 12	-	-	219,997,360	749,991,000
Interest income	6	1,773,825	3,072,911	1,795,781	3,866,899
Other income	6	38,325,716	82,628,428	67,672,441	125,478,532
Total income		2,013,669,987	4,313,620,862	2,069,612,036	4,706,565,990
Expenses					
Cost of sales	6	844,640,792	2,001,230,567	1,080,684,137	2,274,070,237
Selling expenses	6	541,474,042	1,148,833,281	531,652,828	1,134,703,444
Administrative expenses	6	240,216,426	478,669,075	218,069,963	388,803,551
Total expenses		1,626,331,260	3,628,732,923	1,830,406,928	3,797,577,232
Profit before share of profit (loss) from investments in joint venture, finance cost and income tax expenses		387,338,727	684,887,939	239,205,108	908,988,758
Share of profit (loss) from investments in joint venture	13.2	(2,578,174)	6,283,403	-	-
Profit before finance cost and income tax expenses		384,760,553	691,171,342	239,205,108	908,988,758
Finance cost		(475,972)	(2,376,171)	(244,399)	(577,437)
Profit before income tax expenses		384,284,581	688,795,171	238,960,709	908,411,321
Income tax expenses	23.2	(27,332,036)	(65,672,883)	(3,157,840)	(24,986,584)
Profit for the period/year		356,952,545	623,122,288	235,802,869	883,424,737
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Share of other comprehensive income from joint venture		-	40,180	-	-
Actuarial gains - net of income tax	20, 23.3	-	14,925,394	-	7,482,830
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		-	14,965,574	-	7,482,830
Other comprehensive income for the period/year		-	14,965,574	-	7,482,830
Total comprehensive income for the period/year		356,952,545	638,087,862	235,802,869	890,907,567
Profit attributable to:					
Equity holders of the Company		349,543,828	609,406,015	235,802,869	883,424,737
Non-controlling interests of the subsidiaries		7,408,717	13,716,273	-	-
		356,952,545	623,122,288		
Total comprehensive income attributable to:					
Equity holders of the Company		349,543,828	623,582,518	235,802,869	890,907,567
Non-controlling interests of the subsidiaries		7,408,717	14,505,344	-	-
		356,952,545	638,087,862		
Earnings per share					
Basic earnings per share					
Profit attributable to equity holders of the Company	25	0.44	0.76	0.29	1.10

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

MC GROUP PUBLIC COMPANY LIMITED and its subsidiaries
Statement of changes in shareholders' equity
For the period as from 1 January 2018 to 30 June 2018

	Consolidated financial statements										(Unit: Baht)
	Equity attributable to owners of the Company										
	Issued and fully paid-up share capital	Premium on ordinary shares	Deficit from the change in the ownership interest in subsidiary	Retained earnings		Other comprehensive income		Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity	
				Appropriated	Unappropriated	Share of other comprehensive income from joint venture	Total other comprehensive income				
Balance as at 1 January 2017	400,000,000	2,824,925,638	(2,626,281)	65,000,000	873,549,919	-	-	4,160,849,276	125,174,455	4,286,023,731	
Profit for the year	-	-	-	-	609,406,015	-	-	609,406,015	13,716,273	623,122,288	
Other comprehensive income for the year	-	-	-	-	14,136,323	40,180	40,180	14,176,503	789,071	14,965,574	
Total comprehensive income for the year	-	-	-	-	623,542,338	40,180	40,180	623,582,518	14,505,344	638,087,862	
Dividend paid (Note 28)	-	-	-	-	(760,000,000)	-	-	(760,000,000)	-	(760,000,000)	
Increase in non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	3,600,100	3,600,100	
due to purchase of investment in a subsidiary	-	-	-	-	-	-	-	-	(9,000)	(9,000)	
Subsidiary paid dividend to non-controlling interests of subsidiary	-	-	(2,626,281)	65,000,000	737,092,257	40,180	40,180	4,024,431,794	143,270,899	4,167,702,693	
Balance as at 31 December 2017	400,000,000	2,824,925,638	(2,626,281)	65,000,000	737,092,257	40,180	40,180	4,024,431,794	143,270,899	4,167,702,693	
Balance as at 1 January 2018	400,000,000	2,824,925,638	(2,626,281)	65,000,000	737,092,257	40,180	40,180	4,024,431,794	143,270,899	4,167,702,693	
Profit for the period	-	-	-	-	349,543,828	-	-	349,543,828	7,408,717	356,952,545	
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	349,543,828	-	-	349,543,828	7,408,717	356,952,545	
Dividend paid (Note 28)	-	-	-	-	(240,000,000)	-	-	(240,000,000)	-	(240,000,000)	
Subsidiary paid dividend to non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	(5,002,630)	(5,002,630)	
Balance as at 30 June 2018	400,000,000	2,824,925,638	(2,626,281)	65,000,000	846,636,085	40,180	40,180	4,133,975,622	145,676,986	4,279,652,608	
	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	

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

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 period as from 1 January 2018 to 30 June 2018

(Unit: Baht)

	Separate financial statements				
	Issued and fully paid-up share capital	Premium on ordinary shares	Retained earnings		Total shareholders' equity
			Appropriated	Unappropriated	
Balance as at 1 January 2017	400,000,000	2,824,925,638	40,000,000	930,395,923	4,195,321,561
Profit for the year	-	-	-	883,424,737	883,424,737
Other comprehensive income for the year	-	-	-	7,482,830	7,482,830
Total comprehensive income for the year	-	-	-	890,907,567	890,907,567
Dividend paid (Note 28)	-	-	-	(760,000,000)	(760,000,000)
Balance as at 31 December 2017	400,000,000	2,824,925,638	40,000,000	1,061,303,490	4,326,229,128
Balance as at 1 January 2018	400,000,000	2,824,925,638	40,000,000	1,061,303,490	4,326,229,128
Profit for the period	-	-	-	235,802,869	235,802,869
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	235,802,869	235,802,869
Dividend paid (Note 28)	-	-	-	(240,000,000)	(240,000,000)
Balance as at 30 June 2018	400,000,000	2,824,925,638	40,000,000	1,057,106,359	4,322,031,997
	-	-	-	-	-
	-	-	-	-	-

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 period as from 1 January 2018 to 30 June 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the period		For the period	
	as from	For the	as from	For the
	1 January 2018 to	year ended	1 January 2018 to	year ended
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Cash flows from operating activities				
Profit before tax	384,284,581	688,795,171	238,960,709	908,411,321
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	69,029,972	157,104,409	61,856,679	137,075,662
Dividend income	-	-	(219,997,360)	(749,991,000)
Interest income	(1,773,825)	(3,072,911)	(1,795,781)	(3,866,899)
Long-term employee benefit expenses	5,751,425	13,890,687	3,303,063	8,089,275
Finance cost	475,972	2,376,092	244,399	577,437
Share of loss (profit) from investments in joint venture	2,578,174	(6,283,403)	-	-
Reversal of allowance for impairment loss on investment in subsidiary	-	-	-	(1,000,000)
Unrealised gain from changes in fair value of trading investments	(530,841)	(1,346,079)	(530,841)	(1,346,079)
Unrealised loss (gain) on exchange	826,322	(99,950)	-	(2,258)
Allowance for doubtful accounts and provision for sales return (reversal)	27,524,044	(41,020,354)	27,524,044	(69,679,001)
Reduction of inventory to net realisable value (reversal)	(12,191,529)	11,560,255	(14,153,849)	8,760,632
Reversal of allowance for impairment loss on intangible assets	-	(2,282,630)	-	(938,015)
Gain on disposal of property, plant and equipment	(1,093,092)	(3,869,255)	(7,862)	(868,191)
Profit from operating activities before changes in operating assets and liabilities	474,881,203	815,752,032	95,403,201	235,222,884
Operating assets (increase) decrease				
Trade and other receivables	146,681,430	245,771,868	92,253,368	157,581,762
Inventories	74,695,368	(239,207,768)	60,303,783	(712,198,274)
Other current assets	24,367,374	(93,529,711)	18,038,714	(42,532,675)
Other non-current assets	1,545,522	(2,892,716)	(963,272)	(5,426,150)
Operating liabilities increase (decrease)				
Trade and other payables	(250,065,440)	16,493,568	(168,251,394)	254,921,603
Other current liabilities	(5,855,080)	33,621,611	(1,704,484)	15,938,698
Other non-current liabilities	(2,363,552)	3,537,378	721,904	107,419
Payment of long-term employee benefits	-	(606,388)	-	(522,123)
Cash flows from (used in) operating activities	463,886,825	778,939,874	95,801,820	(96,906,856)
Cash paid for corporate income tax	(63,296,858)	(68,191,569)	(21,144,979)	(32,186,707)
Net cash flows from (used in) operating activities	400,589,967	710,748,305	74,656,841	(129,093,563)

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 period as from 1 January 2018 to 30 June 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the period		For the period	
	as from	For the	as from	For the
	1 January 2018 to	year ended	1 January 2018 to	year ended
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Cash flows from investing activities				
Cash received from interest income	1,618,192	2,311,689	1,640,149	3,105,677
Cash paid for acquisition of property, plant and equipment	(33,598,108)	(208,015,296)	(19,928,175)	(204,027,757)
Cash paid for acquisition of intangible assets	(6,333,549)	(8,497,065)	(5,856,585)	(2,053,427)
Proceeds from disposal of property, plant and equipment	1,163,972	14,479,713	7,477	1,123,366
Proceeds from disposal of intangible assets	11,903	-	11,903	-
Decrease (increase) in current investments	(242,353,956)	373,120,284	(242,353,956)	373,120,284
Cash paid for investment in subsidiary	-	-	-	(22,399,900)
Proceeds from disposal of investment in subsidiary	-	-	4,399,900	-
Cash received from dividend income	-	10,709,930	229,997,240	719,991,360
Cash received from long-term loans to related party	-	-	-	29,063,947
Increase in short-term loans to related parties	-	-	(5,944,912)	-
Net cash flows from (used in) investing activities	(279,491,546)	184,109,255	(38,026,959)	897,923,550
Cash flows from financing activities				
Interest paid	(490,640)	(2,396,183)	(244,399)	(577,437)
Dividend paid	(244,977,708)	(760,192,131)	(239,974,958)	(760,183,491)
Cash paid for payment of liabilities under finance lease agreements	(117,334)	(249,936)	-	-
Cash received from non-controlling interest of subsidiary	-	3,600,100	-	-
Decrease in short-term loans from financial institutions	(78,673,160)	(52,210,291)	-	-
Increase (decrease) in short-term loans from related parties	-	(17,225,942)	(8,600,000)	1,800,000
Net cash flows used in financing activities	(324,258,842)	(828,674,383)	(248,819,357)	(758,960,928)
Net increase (decrease) in cash and cash equivalents	(203,160,421)	66,183,177	(212,189,475)	9,869,059
Cash and cash equivalents at beginning of the period/year	553,503,625	487,320,448	474,729,809	464,860,750
Cash and cash equivalents at end of the period/year (Note 7)	350,343,204	553,503,625	262,540,334	474,729,809
	-	-	-	-
Supplemental cash flows information				
Non-cash item				
Actuarial gains on defined benefit plan	-	18,319,217	-	9,353,538

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 period as from 1 January 2018 to 30 June 2018

1. General information

1.1 Corporate 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 30 June 2018, the Company’s major shareholder is Khun Sunee Seripanu which holds 45.78 percent (31 December 2017: 45.46 percent).

1.2 Change of fiscal year

On 20 March 2018, the Company was approved by the Revenue Department with respect to the change in its fiscal year end from 31 December to 30 June, and on 6 April 2018, it was approved by the Accounts Inspector of Department of Business Development, with the change being effective from the fiscal period ended 30 June 2018 onwards. Therefore, the financial statements for the period ended 30 June 2018 presented financial information for the six-month period as from 1 January 2018 to 30 June 2018.

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 11 October 2016, 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	
			30 June	31 December
			<u>2018</u>	<u>2017</u>
			(Percent)	(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	99.99	99.99
MC INTER LIMITED	Support for business operation and investment in foreign country	Hong Kong	100.00	100.00
Look Balance Co., Ltd.	Holdings company	Thailand	99.98	99.98
MC Jeanious Co., Ltd.	Holdings company	Thailand	99.99	99.99
Aromatique Active Co., Ltd.	Distribution of skincare and aromatic products	Thailand	-	54.99
Indirect subsidiary				
(Held by Look Balance Co., Ltd.)				
Time Deco Corporation Limited	Import and distribution of the world's leading watch brands	Thailand	51.00	51.00
Aromatique Active Co., Ltd.	Distribution of skincare and aromatic products	Thailand	54.99	-

- 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 period, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries’ financial statements.

(b) Financial reporting standard that will become effective in the future

During the period, the Federation of Accounting Professions issued the financial reporting standard TFRS 15 Revenue from Contracts with Customers, which is effective for fiscal years beginning on or after 1 January 2019. Key principles of this standard are summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes TAS 11 Construction Contracts and TAS 18 Revenue, together with related interpretations. Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a

five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

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. The cost of inventories is measured using standard cost method, which approximates actual cost and includes production costs and attributable factory overheads.

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 - 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 are initially recognised at their 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.

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.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognises restructuring-related costs.

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 period as from 1 January 2018 to 30 June 2018 and for the year ended 31 December 2017 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
Aromatique Active Co., Ltd.	Thailand	Subsidiary Company (held by a subsidiary)
Time Deco Corporation Limited	Thailand	Subsidiary Company (held by a subsidiary)

Name of related parties	Country of	
	incorporation	Nature of relationships
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 and shareholders

Name of related parties	Country of	
	incorporation	Nature of relationships
Panamera Fashion Co., Ltd.	Thailand	Common directors and shareholders
Panapat Co., Ltd.	Thailand	Common directors and shareholders
Time Deco Services Co., Ltd.	Thailand	Common directors and shareholders
Data Hunter Co., Ltd.	Thailand	Common shareholder
Nature Touch International Co., Ltd.	Thailand	Common directors and shareholder with a subsidiary
S.C.Law Office Co., Ltd.	Thailand	Common director
Director and key management of the Company	-	Management personnel

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
Dividend income	As declared
Sales / purchase of building and attachment	Contractual price

During the period/year, 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)

	Consolidated		Separate	
	financial statements		financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
<u>Transactions with subsidiaries</u>				
(Eliminated from the consolidated financial statements)				
Purchase of goods or				
receiving of services	-	-	586,662	1,700,402
Dividend income	-	-	219,997	749,991
Interest income	-	-	22	794
Other income	-	-	32,385	56,760
Other expenses	-	-	1,280	15,921
Interest expenses	-	-	245	577
Personnel service expenses	-	-	194,015	386,140
<u>Transactions with joint venture</u>				
Purchase of goods	83,855	126,070	83,855	126,070
Other income	29,899	44,125	29,799	43,925
Dividend income	-	10,710	-	-
<u>Transactions with related parties</u>				
Sales or rendering of services	512	9,150	-	-
Sales of building and attachment	-	5,913	-	-
Purchase of building, attachment				
and equipment	12,206	-	-	-
Other expenses	9,700	19,794	8,563	17,389
Other income	-	722	-	-

(Unit: Thousand Baht)

Consolidated		Separate	
financial statements		financial statements	
For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017

Transactions with key management personnel

Key management personnel compensation

Short-term employee benefits	18,147	29,904	18,147	29,904
Post-employment benefits	2,027	3,303	2,027	3,303
Other	990	1,492	990	1,492
Total key management personnel compensation	21,164	34,699	21,164	34,699

During the year 2017, the Company received sales return from a subsidiary totalling Baht 9 million because the Group has changed the business structure.

The balances of the accounts as at 30 June 2018 and 31 December 2017 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

Consolidated		Separate	
financial statements		financial statements	
30 June 2018	31 December 2017	30 June 2018	31 December 2017

Trade and other receivables - related parties (Note 9)

Subsidiaries	-	-	377,665	350,335
Joint venture	34,863	38,359	34,757	38,145
Related companies	374	402	-	-
Total trade and other receivables - related parties	35,237	38,761	412,422	388,480

Short-term loans to related parties

Subsidiaries	-	-	5,945	-
--------------	---	---	-------	---

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
<u>Other non-current assets - related parties</u>				
Related companies	912	912	912	912
<u>Trade and other payables - related parties (Note 18)</u>				
Subsidiaries	-	-	956,245	894,955
Joint venture	63,962	32,762	63,962	32,762
Related companies	1,803	114	1,058	-
Directors	67	67	67	67
Total trade and other payables - related parties	65,832	32,943	1,021,332	927,784
<u>Short-term loans from related parties</u>				
Subsidiaries	-	-	9,800	18,400

Short-term loans to related parties

As at 30 June 2018, the balance of short-term loans between the Company and the related parties and the movement during the period as from 1 January 2018 to 30 June 2018, are as follows:

(Unit: Thousand Baht)

	Interest rate	Separate financial statements			
		Balance as at		Balance as at	
		1 January		30 June	
Borrower	per annum	2018	Increase	Decrease	2018
Subsidiaries					
WoWme Limited	3.73%, 3.63%, 3.50% and 3.25%	-	6,778	(6,633)	145
Look Balance Co., Ltd.	3.25%	-	5,800		5,800
		-	12,578	(6,633)	5,945

The short-term loans to related parties are unsecured loans and repayable on call.

Short-term loans from related parties

As at 30 June 2018, the balance of short-term loans between the Company and those related parties and the movement during the period as from 1 January 2018 to 30 June 2018 are as follows:

(Unit: Thousand Baht)

		Separate financial statements			
		Balance as at		Balance as at	
	Interest rate	1 January			30 June
Lender	per annum	2018	Increase	Decrease	2018
Subsidiaries					
Look Balance Co., Ltd.	3.25%	8,600	-	(8,600)	-
MC Jeanious Co., Ltd.	3.25%	9,800	-	-	9,800
		18,400	-	(8,600)	9,800

The short-term loans from related parties are unsecured loans and repayable on call.

Significant agreements with related parties

As at 30 June 2018, 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. On 31 January 2017, the indirect subsidiary has terminated the building rental and service agreements with that related company.

“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.

Building rental and services agreement

On 1 September 2012, the Company has entered into building rental agreement with a subsidiary which for office space and warehouse in the rental rate of Baht 11.2 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 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 of 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.

On 1 January 2017, the Company made the amendment to the building rental agreement which for office space in the rental rate since 1 January 2017 of Baht 0.4 million per annum. The term of this agreement has a period of 1 year 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. In addition, the Company made additional service agreement at a rate of Baht 0.1 million per annum. In case of the above building rental agreement has been terminated, this service agreement will be terminated together with that agreement.

On 1 April 2017, the Company made the amendment to the rental agreement of office space in the rental rate since 1 April 2017 of Baht 0.4 million per annum. The term of this agreement has a period of 1 year 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 4.6 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 30 September 2017, the Company had cancel this office rental and service agreement.

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 1.0 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.

On 4 January 2017, the Company has entered into an office rental and service agreement with a related company at the total rental and service rate of Baht 4.8 million per annum. The term of this agreement is for a period of 3 years and is renewable for a further 3 years. Under this agreement, only the Company has the right to cancel this agreement without a cancellation fee.

Personnel service agreement

On 1 September 2012, the Company has entered into personnel service agreement with a subsidiary whereby such subsidiary has agreed to provide 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.

On 1 December 2016, the Company made the amendment to the 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 1.6 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 17 February 2017, the Company has entered into management services agreements-distributor with a subsidiary whereby the Company will provide service relating to

management as distributor. In consideration thereof, the subsidiary agreed to pay service fees in the certain rate, as agreed, of net sales amount. Both parties can agree to terminate the agreement by giving written notice or one party giving written notice to another party 30 days in advance.

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statement		financial statement	
	30 June	31 December	30 June	31 December
	2018	2017	2018	2017
Cash	9,819	28,058	9,456	27,333
Bank deposits - current accounts	340,524	525,446	253,084	447,397
Total	350,343	553,504	262,540	474,730

As at 30 June 2018 and 31 December 2017, bank deposits in current accounts carried interests between 0.00 and 1.00 percent per annum.

8. Current investments

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statement		financial statement	
	30 June	31 December	30 June	31 December
	2018	2017	2018	2017
Fixed deposits at financial institution	100,000	-	100,000	-
Equity securities held for trading - Unit trusts	560,796	417,911	560,796	417,911
Total current investments	660,796	417,911	660,796	417,911

Movements for the period as from 1 January 2018 to 30 June 2018 and for the year ended 31 December 2017 of marketable equity were as follows.

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			30 June 2018	31 December 2017
			(Percent)	(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	99.99	99.99
MC INTER LIMITED	Support for business operation and investment in foreign country	Hong Kong	100.00	100.00
Look Balance Co., Ltd.	Holdings company	Thailand	99.98	99.98
MC Jeanious Co., Ltd.	Holdings company	Thailand	99.99	99.99
Aromatique Active Co., Ltd.	Distribution of skincare and aromatic products	Thailand	-	54.99
Indirect subsidiary				
(Held by Look Balance Co., Ltd.)				
Time Deco Corporation Limited	Import and distribution of the world's leading watch brands	Thailand	51.00	51.00
Aromatique Active Co., Ltd.	Distribution of skincare and aromatic products	Thailand	54.99	-

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statement		financial statement	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Trading securities				
At the beginning of period/year	417,911	789,685	417,911	789,685
Purchases during the period/year	200,000	752,174	200,000	752,174
Sales during the period/year	(57,646)	(1,125,294)	(57,646)	(1,125,294)
Valuation adjustment	531	1,346	531	1,346
At the ending of period/year	560,796	417,911	560,796	417,911

9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Trade receivables - related parties (Note 6)				
Aged on the basis of due dates				
Not yet due	-	-	97,511	69,650
Past due				
Less than 3 months	-	-	21,345	3,045
3 - 6 months	-	-	830	4,296
6 - 12 months	-	-	-	1,882
Over 12 months	-	-	-	-
Total trade receivables				
- related parties	-	-	119,686	78,873

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	323,744	397,821	272,971	333,870
Past due				
Less than 3 months	64,400	106,684	57,374	95,758
3 - 6 months	14,097	31,509	11,247	31,496
6 - 12 months	5,056	13,776	5,014	13,865
Over 12 months	14,315	15,017	13,044	10,856
Total	421,612	564,807	359,650	485,845
Less: Allowance for doubtful accounts and provision for sales return	(40,160)	(12,635)	(36,058)	(8,534)
Total trade receivables				
- unrelated parties, net	381,452	552,172	323,592	477,311
Total trade receivables - net	381,452	552,172	443,278	556,184
<u>Other receivables</u>				
Other receivables - related parties (Note 6)	35,237	38,761	72,739	79,610
Other receivables - unrelated parties	241	203	-	-
Interest receivables - unrelated parties	917	761	917	761
Dividend receivables - related parties (Note 6)	-	-	219,997	229,997
Total other receivables	36,395	39,725	293,653	310,368
Trade and other receivables - net	417,847	591,897	736,931	866,552

10. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Finished goods	2,072,580	2,140,373	(34,424)	(46,099)	2,038,156	2,094,274
Work in process	32,417	59,132	-	-	32,417	59,132
Goods in transit	19,129	-	-	-	19,129	-
Raw materials	59,302	67,793	(4,375)	(4,892)	54,927	62,901
Total	<u>2,183,428</u>	<u>2,267,298</u>	<u>(38,799)</u>	<u>(50,991)</u>	<u>2,144,629</u>	<u>2,216,307</u>

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Finished goods	2,641,405	2,701,709	(26,754)	(40,908)	2,614,651	2,660,801
Raw materials	407	407	-	-	407	407
Total	<u>2,641,812</u>	<u>2,702,116</u>	<u>(26,754)</u>	<u>(40,908)</u>	<u>2,615,058</u>	<u>2,661,208</u>

For the period as from 1 January 2018 to 30 June 2018, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 12 million (The Company only: Baht 14 million), and for the year ended 31 December 2017, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 12 million (The Company only: Baht 9 million), to reflect the net realisable value by recognised as expenses during the period.

11. Other current assets

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statement		financial statement	
	30 June	31	30 June	31 December
	2018	December	2018	2017
		2017		
Other receivables - revenue department	53,671	72,769	19,593	43,522
Prepaid expenses	26,355	16,222	18,608	11,701
Advance to suppliers	20,631	35,550	1,217	3,244
Input VAT suspense	1,694	2,024	1,213	1,419
Advance to employees	1,682	1,187	1,665	1,086
Others	7,209	7,758	3,863	3,225
Total	111,242	135,510	46,159	64,197

12. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the period/year	
	30 June	31	30 June	31	30 June	31	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
	2018	December 2017	2018	December 2017	2018	December 2017		
			(%)	(%)				
P.K.Garment (Import-Export) Co., Ltd.	250,000	250,000	99.99	99.99	249,996	249,996	219,997	749,991
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	19,000	19,000	99.99	99.99	19,000	19,000	-	-

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	-	-
Aromatique Active Co., Ltd.	-	8,000	-	54.99	-	4,400	-	-
Total investments in subsidiaries - net					499,953	504,353	219,997	749,991

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

Aromatique Active Co., Ltd.

On 17 February 2017, the Company established Aromatique Active Co., Ltd. in order to sell skincare and aromatic products, with a registered capital of Baht 8 million. The Company hold 54.99 percent of the registered capital and has paid in share capital of Baht 4.4 million.

On 9 March 2018, the Company sold all investment in Aromatique Active Co., Ltd. To Look Balance Co., Ltd., a subsidiary, at cost for restructuring of the Group.

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:

			Consolidated financial statements					
	Nature	Country of	Percentage of		Cost		Carrying amounts based on	
Joint venture	of business	incorporation	investment				the equity method	
			30 June 2018	31 December 2017	30 June 2018	31 December r 2017	30 June 2018	31 December 2017
			(%)	(%)	(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	40,301	33,705

On 18 September 2016, 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 period as from 1 January 2018 to 30 June 2018 and for the year ended 31 December 2017, the Company recognised its share of comprehensive income from investments in the joint venture in the consolidated financial statements as follows:

(Unit: Thousand Baht)

Joint venture	Consolidated financial statements			
	Share of profit (loss) from investments in joint venture		Share of other comprehensive income from investments in joint venture	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
TOP-T 2015 Co., Ltd.	(2,578)	6,283	-	40

During the period as from 1 January 2018 to 30 June 2018 and for the year ended 31 December 2017, the subsidiary received the dividend from joint venture as follows:

(Unit: Thousand Baht)

Joint venture	Consolidated financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
TOP-T 2015 Co., Ltd.	-	10,710

13.3 Summarised financial information about material joint ventures

Summarised information about financial position

(Unit: Thousand Baht)

	TOP-T 2015 Co., Ltd.	
	30 June 2018	31 December 2017
Cash and cash equivalent	14,814	35,796
Trade accounts receivable	63,962	32,762
Inventories	44,924	50,877

(Unit: Thousand Baht)

	TOP-T 2015 Co., Ltd.	
	30 June 2018	31 December 2017
Other current assets	10,302	13,366
Trade accounts payable	(50,409)	(65,673)
Other current liabilities	(4,322)	(866)
Other non-current liabilities	(249)	(174)
Net assets	79,022	66,088
Shareholding percentage (%)	51%	51%
Carrying amounts of joint venture based on the equity method	40,301	33,705

Summarised information about comprehensive income

(Unit: Thousand Baht)

	TOP-T 2015 Co., Ltd.	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Revenue	83,855	126,070
Cost of sales	(33,979)	(61,917)
Selling and administrative expenses	(33,706)	(49,232)
Income tax expenses	(3,237)	(2,601)
Profit	12,933	12,320
Other comprehensive income	-	79
Total comprehensive income	12,933	12,399

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 2017	52,088	591,607	331,475	281,237	91,245	8,735	1,356,387
Additions	-	500	421	18,698	5,650	182,769	208,038
Disposals	-	(22,469)	(52,097)	(31,079)	(7,243)	-	(112,888)
Transfers	102,861	79,991	112	4,219	2,441	(189,624)	-
31 December 2017	154,949	649,629	279,911	273,075	92,093	1,880	1,451,537
Additions	-	1,354	651	7,124	-	24,467	33,596
Disposals	-	(2,930)	(4,834)	(130)	(12)	-	(7,906)
Transfers	-	20,477	99	2,663	-	(23,239)	-
30 June 2018	154,949	668,530	275,827	282,732	92,081	3,108	1,477,227
Accumulated depreciation:							
1 January 2017	1,236	402,664	274,026	195,752	60,581	-	934,259
Depreciation for the year	626	71,784	15,179	32,659	7,701	-	127,949
Depreciation on disposals	-	(13,006)	(52,060)	(30,223)	(6,988)	-	(102,277)
31 December 2017	1,862	461,442	237,145	198,188	61,294	-	959,931
Depreciation for the period	354	31,140	5,116	15,366	3,078	-	55,054
Depreciation on disposals	-	(2,930)	(4,809)	(84)	(12)	-	(7,835)
30 June 2018	2,216	489,652	237,452	213,470	64,360	-	1,007,150
Net book value:							
31 December 2017	153,087	188,187	42,766	74,887	30,799	1,880	491,606
30 June 2018	152,733	178,878	38,375	69,262	27,721	3,108	470,077

(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
-------------------------	--	-------------------------------	---	-------------------	---	-------

Depreciation for the period/year

For the year ended 31 December 2017 (Baht 13 million included in manufacturing cost, and the balance in selling and administrative expenses) 127,949

For the period as from 1 January 2018 to 30 June 2018 (Baht 4 million included in manufacturing cost, and the balance in selling and administrative expenses) 55,054

(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 2017	35,056	347,546	54,164	151,273	57,169	8,410	653,618
Additions	-	-	243	16,931	5,650	181,204	204,028
Disposals	-	-	-	(36)	(2,444)	-	(2,480)
Transfers	<u>102,860</u>	<u>79,385</u>	<u>112</u>	<u>2,935</u>	<u>2,442</u>	<u>(187,734)</u>	<u>-</u>
31 December 2017	137,916	426,931	54,519	171,103	62,817	1,880	855,166
Additions	-	-	54	6,360	-	13,514	19,928
Disposals	-	-	-	-	(12)	-	(12)
Transfers	<u>-</u>	<u>10,483</u>	<u>99</u>	<u>2,424</u>	<u>-</u>	<u>(13,006)</u>	<u>-</u>
30 June 2018	<u>137,916</u>	<u>437,414</u>	<u>54,672</u>	<u>179,887</u>	<u>62,805</u>	<u>2,388</u>	<u>875,082</u>

Accumulated depreciation:

1 January 2017	1,237	182,465	13,865	82,387	33,372	-	313,326
Depreciation for the year	626	67,489	6,745	26,521	9,009	-	110,390

(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
Depreciation on disposals	-	-	-	(36)	(2,189)	-	(2,225)
31 December 2017	1,863	249,954	20,610	108,872	40,192	-	421,491
Depreciation for the period	354	29,909	3,225	12,689	2,711	-	48,888
Depreciation on disposals	-	-	-	-	(12)	-	(12)
30 June 2018	2,217	279,863	23,835	121,561	42,891	-	470,367
Net book value:							
31 December 2017	<u>136,053</u>	<u>176,977</u>	<u>33,909</u>	<u>62,231</u>	<u>22,625</u>	<u>1,880</u>	<u>433,675</u>
30 June 2018	<u>135,699</u>	<u>157,551</u>	<u>30,837</u>	<u>58,326</u>	<u>19,914</u>	<u>2,388</u>	<u>404,715</u>
Depreciation for the period/year							
For the year ended 31 December 2017 (Total balance of depreciation is recognised in selling and administrative expenses)						<u>110,390</u>	
For the period as from 1 January 2018 to 30 June 2018 (Total balance of depreciation is recognised in selling and administrative expenses)						<u>48,888</u>	

As at 30 June 2018, the subsidiaries had vehicles with net book value of Baht 0.2 million (31 December 2017: Baht 0.4 million) which were acquired under finance lease agreements.

As at 30 June 2018, 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 657 million (31 December 2017: Baht 608 million) (The Company only: Baht 276 million (31 December 2017: Baht 229 million)).

15. Goodwill

(Unit: Million Baht)

	Consolidated financial statements	
	30 June 2018	31 December 2017
Goodwill	108	108

On 1 November 2013, the Group gained 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 (Time Deco Corporation Limited) based on value in use calculation using cash flow projections from financial budgets approved by management. The cash flow projections cover a five-year period. The significant assumption using in estimation of cash flow projection for the current year are growth rate at 2 percent and discount rate at 10.36 percent.

16. Intangible assets

The net book value of intangible assets as at 30 June 2018 and 31 December 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	Computer software	Leasehold right	Total	Computer software	Leasehold right	Total
As at 30 June 2018						
Cost	277,595	688	278,283	249,696	385	250,081
<u>Less</u> Accumulated amortisation	(99,333)	(688)	(100,021)	(75,785)	(385)	(76,170)
Net book value	178,262		178,262	173,911	-	173,911
As at 31 December 2017						
Cost	271,454	688	272,142	244,032	385	244,417
<u>Less</u> Accumulated amortisation	(85,540)	(688)	(86,228)	(62,997)	(385)	(63,382)
Net book value	185,914	-	185,914	181,035	-	181,035

A reconciliation of the net book value of intangible assets for the period as from 1 January 2018 to 30 June 2018 and for the year ended 31 December 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Net book value at beginning of period/year	185,914	204,288	181,035	204,729
Acquisition of computer software	6,334	8,496	5,857	2,054
Amortisation	(13,974)	(29,153)	(12,969)	(26,686)
Disposal	(12)	-	(12)	-
Reversal of impairment loss	-	2,283	-	938
Net book value at end of period/year	<u>178,262</u>	<u>185,914</u>	<u>173,911</u>	<u>181,035</u>

17. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)		Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Trust receipts	1.70	1.85	<u>15,870</u>	<u>94,544</u>	<u>-</u>	<u>-</u>

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

As at 30 June 2018, the credit facilities of the Company and its subsidiaries which have not yet been drawn down amounting to Baht 697 million (31 December 2017: Baht 618 million).

18. Trade and other payables

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Trade payables - related parties (Note 6)	64,590	32,762	822,301	746,589
Trade payables - unrelated parties	145,061	348,458	46,630	247,560
Accrued expenses	168,452	252,497	141,164	208,575
Other payables - related parties (Note 6)	1,242	181	199,031	181,195
Other payables - unrelated parties	23,466	18,142	15,892	9,325
Total trade and other payables	402,811	652,040	1,225,018	1,393,244

19. Liabilities under finance lease agreements

(Unit: Thousand Baht)		
	Consolidated	
	financial statements	
	30 June 2018	31 December 2017
Liabilities under finance lease agreements	243	368
Less: Deferred interest expenses	(8)	(16)
Total	235	352
Less: Portion due within one year	(173)	(237)
Liabilities under finance lease agreements - net of current portion	62	115

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 30 June 2018		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	180	63	243
Deferred interest expenses	(7)	(1)	(8)
Present value of future minimum lease payments	<u>173</u>	<u>62</u>	<u>235</u>

(Unit: Thousand Baht)

	As at 31 December 2017		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	249	119	368
Deferred interest expenses	(12)	(4)	(16)
Present value of future minimum lease payments	<u>237</u>	<u>115</u>	<u>352</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		Separate	
	financial statements		financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Provision for long-term employee benefits at beginning of year	43,925	48,959	26,734	28,520
Included in profit or loss:				
Current service cost	5,299	12,638	3,028	7,350
Interest cost	452	1,253	275	739

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	-	(13,051)	-	(6,663)
Financial assumptions changes	-	2,247	-	1,147
Experience adjustments	-	(7,515)	-	(3,837)
Benefits paid during the period/year	-	(606)	-	(522)
Provision for long-term employee benefits at end of period/year	49,676	43,925	30,037	26,734

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	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Cost of sales	1,682	3,211	-	-
Selling and administrative expenses	4,069	10,680	3,303	8,089
Total expenses recognised in profit or loss	5,751	13,891	3,303	8,089

The Company and its subsidiaries expect to pay Baht 2 million of long-term employee benefits during the next year (The Company only: Nil) (31 December 2017: Baht 2 million, The Company only: Nil).

As at 30 June 2018, the weighted average duration of the liabilities for long-term employee benefit is 26 years (The Company only: 26 years) (31 December 2017: 26 years, The Company only: 26 years).

Significant actuarial assumptions are summarised below:

(Unit: Percent per annum)

	Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Discount rate	2.1	2.1	2.1	2.1
Salary increase rate	5.0	5.0	5.0	5.0
Turnover rate	0.0 - 59.0	0.0 - 59.0	0.0 - 59.0	0.0 - 59.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 30 June 2018 and 31 December 2017 are summarised below:

(Unit: Million Baht)

	As at 30 June 2018			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(3)	4	(2)	2
Salary increase rate	4	(4)	2	(2)
Turnover rate	(4)	2	(2)	1

(Unit: Million Baht)

	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2)	3	(1)	2
Salary increase rate	3	(2)	2	(1)
Turnover rate	(3)	1	(2)	1

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:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Salaries and wages and other employee benefits	405,383	899,228	137,963	282,292
Depreciation and amortisation	69,030	157,104	61,857	137,076
Reversal of loss on impairment of intangible assets	-	(2,283)	-	(938)
Raw materials and consumables used	1,080,684	2,274,070	-	-
Changes in finished goods and work in progress	94,508	(318,400)	60,304	(712,198)
Advertising expenses	58,076	134,518	56,038	124,828
Personnel services fees	-	-	194,015	386,140
Professional fees	16,448	26,838	13,809	28,390
Rental and service expenses	219,137	456,427	207,695	428,012
Bad and doubtful debts expenses (reversal)	27,525	(41,020)	27,524	(69,679)

23. Income tax

23.1 Deferred tax assets

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2018	2017	2018	2017
Deferred tax assets				
Allowance for doubtful accounts	7,984	2,498	7,351	1,846
Inventories	98,656	102,487	5,351	9,582
Provision for long-term employee benefits	7,215	6,301	5,974	5,314
Consignment	78,142	81,760	73,710	77,384
Unused tax losses	3,405	4,288	-	-
Others	9,761	8,709	8,862	7,784
Total	205,163	206,043	101,248	101,910
Deferred tax assets - net	205,163	206,043	101,248	101,910

As at 30 June 2018, the subsidiary has deductible temporary differences and unused tax losses totaling Baht 3 million (31 December 2017: 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		Separate	
	financial statements		financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
30 June 2019	1	1	-	-
30 June 2020	1	3	-	-
30 June 2023	1	-	-	-
	<u>3</u>	<u>4</u>	<u>-</u>	<u>-</u>

23.2 Income tax expenses

Income tax expenses for the period as from 1 January 2018 to 30 June 2018 and for the year ended 31 December 2017 are made up as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Current income tax:				
Current income tax charge	26,452	97,687	2,496	29,169
Deferred tax:				
Relating to origination and reversal of temporary differences	<u>880</u>	<u>(32,014)</u>	<u>662</u>	<u>(4,182)</u>
Income tax expenses reported in the statements of comprehensive income	<u>27,332</u>	<u>65,673</u>	<u>3,158</u>	<u>24,987</u>

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 period as from 1 January 2018 to 30 June 2018 and for the year ended 31 December 2017 are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Deferred tax relating to gains on actuarial	-	3,393	-	1,871

23.4 The reconciliation between accounting profit and income tax expenses

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Accounting profit before tax	384,285	688,795	238,960	908,411
Applicable tax rate	0 - 20%	0 - 20%	20%	20%
Accounting profit before tax multiplied by income tax rate	76,857	137,759	47,792	181,682
Effects of:				
Promotional privileges and others	(48,877)	(74,055)	(242)	(7,039)
Non-deductible expenses	949	3,885	908	1,719
Additional expense deductions allowed	(1,597)	(1,916)	(1,301)	(1,378)
Tax exempted revenue	-	-	(43,999)	(149,998)
Total	(49,525)	(72,086)	(44,634)	(156,696)
Income tax expenses reported in the statements of comprehensive income	27,332	65,673	3,158	24,986

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 period as from 1 January 2018 to 30 June 2018 and for the year ended 31 December 2017, divided between promoted and non-promoted operations, are summarised below.

(Unit: Thousand Baht)

Promoted operations		Non-promoted operations		Elimination entries		Total	
For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 Decem ber 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 Decemb er 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 Decembe r 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Sales							
Domestic sales							
474	1,436	2,073	4,520	(573)	(1,728)	1,974	4,228
Export sales							
-	-	-	-	-	-	-	-
Total sales							
474	1,436	2,073	4,520	(573)	(1,728)	1,974	4,228

25. Earnings per share

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

	Consolidated		Separate	
	financial statements		financial statements	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
Profit attributable to equity holders of the Company for the period/year (Baht)	349,543,828	609,406,015	235,802,869	883,424,737
Weighted average number of ordinary shares (shares)	800,000,000	800,000,000	800,000,000	800,000,000
Earnings per share (Baht/share)	0.44	0.76	0.29	1.10

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 period as from 1 January 2018 to 30 June 2018 and for the year ended 31 December 2017, respectively.

(Unit: Million Baht)

	Business of clothing and accessories		Business of watches		Total	
	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017	For the period as from 1 January 2018 to 30 June 2018	For the year ended 31 December 2017
External revenue	1,835	3,919	179	395	2,014	4,314
Inter-segment revenue	-	-	-	-	-	-
Total revenue	1,835	3,919	179	395	2,014	4,314
Interest income	2	3	-	-	2	3
Interest expenses	-	-	(1)	(2)	(1)	(2)
Depreciation and amortisation	(66)	(147)	(3)	(10)	(69)	(157)
Capital expenditures	(39)	(213)	(1)	(3)	(40)	(216)
Share of profit (loss) from investments in joint venture	(2)	6	-	-	(3)	6
Profit before income tax expenses	369	656	15	33	384	689
Income tax expenses	24	60	3	6	27	66
Other material non-cash items:						
Allowance for doubtful debt and provision for sales return (reversal)	28	(41)	-	-	28	(41)
Allowance for diminution in value of inventories (reversal)	(13)	11	1	1	(12)	12
Reversal of allowance for impairment loss on intangible assets	-	(1)	-	(1)	-	(2)

(Unit: Million Baht)

	Business of clothing and accessories		Business of watches		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2018	2017	2018	2017	2018	2017
Segment total assets	4,467	4,669	360	413	4,827	5,082
Investments in joint venture accounted for by the equity method	40	34	-	-	40	34
Segment total liabilities	471	783	76	131	547	914

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 period as from 1 January 2018 to 30 June 2018, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

For the year ended 31 December 2017, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

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 Company and its subsidiary recognised contributions for the period as from 1 January 2018 to 30 June 2018 amounting to approximately Baht 3 million (for the year ended 31 December 2017: Baht 6 million) (The Company only: Baht 3 million (for the year ended 31 December 2017: Baht 5 million)).

28. Dividends

Dividend	Authorised by	Dividend paid (Thousand Baht)	Dividend paid per share (Baht)
Final dividend for 2017	Annual General Meeting of the shareholders on 3 April 2018	240,000	0.30
		<u>240,000</u>	<u>0.30</u>
Final dividend for 2016	Annual General Meeting of the shareholders on 21 April 2017	400,000	0.50
Interim dividend for 2017	Meeting of the Board of Directors on 10 August 2017	360,000	0.45
		<u>760,000</u>	<u>0.95</u>

29. Commitments and contingent liabilities

29.1 Capital commitments

As at 30 June 2018, the Company had outstanding commitments of Baht 1 million in respect of construction of building improvement (31 December 2017: 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 and rental vehicles. The terms of the agreements are between 1 and 10 years.

Future minimum lease payments required under these non-cancellable operating leases contracts in term of fixed rental fee and variable fee from sales of the Company and its subsidiaries were as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
<u>Payable within:</u>				
Less than 1 year	353	375	342	365
1 to 5 years	390	430	373	411
Over 5 years	50	63	50	63

29.3 Guarantees

As at 30 June 2018, the Company and its subsidiaries have outstanding bank guarantees of approximately Baht 12 million (31 December 2017: Baht 12 million) (The Company only: Baht 1 million (31 December 2017: 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 30 June 2018 and 31 December 2017, 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				
As at 30 June 2018				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Trading securities				
Unit trusts	-	661	-	661

(Unit: Million Baht)

Separate financial statements				
As at 30 June 2018				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Trading securities				
Unit trusts	-	661	-	661

(Unit: Million Baht)

Consolidated financial statements				
As at 31 December 2017				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Trading securities				
Unit trusts	-	418	-	418

(Unit: Million Baht)

Separate financial statements				
As at 31 December 2017				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Trading securities				
Unit trusts	-	418	-	418

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 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 30 June 2018 and 31 December 2017, 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								
As at 30 June 2018								
Fixed interest rates								
	Within	1-5	Over	Floating	Non- interes			Interest
	At call	1 year	years	5 years	interest rate	bearing	Total	rate
	(% per annum)							
<u>Financial Assets</u>								
Cash and cash equivalent	-	-	-	-	224	126	350	Note 7
Short-term investments	-	100	-	-	-	561	661	1.5%
Trade and other receivables	-	-	-	-	-	418	418	-
	-	100	-	-	224	1,105	1,429	
<u>Financial liabilities</u>								
Short-term loans from financial institutions	-	-	-	-	16	-	16	Note 17
Trade and other payables	-	-	-	-	-	403	403	-
	-	-	-	-	16	403	419	

(Million Baht)

Separate financial statements

As at 30 June 2018

Fixed interest rates

	Within	1-5	Over	Floating	Non-		
	At call	1 year	years	5 years	interest rate	bearing	Total
							Interest rate
							(% per annum)

Financial Assets

Cash and cash equivalent	-	-	-	-	224	39	263	Note 7
Short-term investments	-	100	-	-	-	561	661	1.5%
Trade and other receivables	-	-	-	-	-	737	737	-
	-	100	-	-	224	1,337	1,661	

Financial Liabilities

Short-term loans from financial institutions	-	-	-	-	-	1,225	1,225	Note 6
Trade and other payables	10	-	-	-	-	-	10	-
	10	-	-	-	-	1,225	1,235	

(Million Baht)

Consolidated financial statements								
As at 31 December 2017								
	Fixed interest rates					Non-	Total	Interest rate
	Within	1-5	Over	Floating	Non-	interest		
	At call	1 year	years	5 years	interest rate	bearing		
(% per annum)								
<u>Financial Assets</u>								
Cash and cash equivalent	-	-	-	-	374	180	554	Note 7
Short-term investments	-	-	-	-	-	418	418	-
Trade and other receivables	-	-	-	-	-	592	592	-
	-	-	-	-	374	1,190	1,564	
<u>Financial liabilities</u>								
Short-term loans from financial institutions	-	-	-	-	95	-	95	Note 17
Trade and other payables	-	-	-	-	-	652	652	-
	-	-	-	-	95	652	747	

(Million Baht)

Separate financial statements							
As at 31 December 2017							
Fixed interest rates							
	Within	1-5	Over	Floating	Non- interest		
	At call	1 year	years	5 years	interest rate	bearing	Total
							Interest rate
							(% per annum)
Financial Assets							
Cash and cash equivalent	-	-	-	-	373	101	474
							Note 7
Short-term investments	-	-	-	-	-	418	418
							-
Trade and other receivables	-	-	-	-	-	867	867
							-
	-	-	-	-	373	1,386	1,759
Financial Liabilities							
Trade and other payables	-	-	-	-	-	1,393	1,393
							-
Short-term loans from related parties	18	-	-	-	-	-	18
							Note 6
	18	-	-	-	-	1,393	1,411

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 30 June 2018 and 31 December 2017, the balances of financial assets and liabilities denominated in foreign currencies of the subsidiaries are summarised below.

Foreign currencies	Financial liabilities		Average exchange rate	
	30 June	31 December	30 June	31 December
	2018	2017	2018	2017
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
USD	0.9	0.2	33.33	32.84
JPY	5	5	0.30	0.29

Forward foreign exchange contracts

As at 30 June 2018 and 31 December 2017, the subsidiary has forward exchange contracts outstanding as summarised below.

As at 30 June 2018			
Bought amount			
Foreign currency	by the subsidiary	Contractual exchange rate	Contractual maturity date
(Million)			
<u>Subsidiary</u>			
USD	0.5	31.8 - 32.1 Baht per 1 USD	August 2018

As at 31 December 2017			
Bought amount			
Foreign currency	by the subsidiary	Contractual exchange rate	Contractual maturity date
(Million)			
<u>Subsidiary</u>			
USD	0.2	32.7 Bath per 1 USD	February 2018

31.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial assets and liabilities which comprise deposit at financial institutions, trade and other receivables, loan to, short-term loan from financial institutions, trade and other payables, liabilities under finance lease agreement and short-term loan from financial institutions are short-term in nature or bear

floating interest rates, their fair values are not expected to be materially different from the amounts presented in the statements of financial position.

The fair value of investments in unit trusts has been determined from their net asset value as announced by Asset Management Company.

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 30 June 2018, the Group's debt-to-equity ratio was 0.13:1 (31 December 2017: 0.22:1) and the Company's was 0.30:1 (31 December 2017: 0.35:1).

33. Events after the reporting period

On 28 August 2018, the Board of Directors Meeting No.4/2018 of the Company passed the following resolutions:

- a) Approved the dividend payment of Baht 0.40 per share, a total of Baht 320 million, from the operating results of the period as from 1 January 2018 to 30 June 2018 to be paid to shareholders on 28 November 2018.
- b) Approved the share repurchase program with the maximum amount is not exceed Bath 120 million. The purchase period will be started from 12 September 2018 to 11 March 2019 and the starting date of the share resale will begin 6 months after the completion date of the share repurchase.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 28 August 2018.

2018

ANNUAL REPORT 2018 (1 JANUARY - 30 JUNE 2018)

MC GROUP PUBLIC COMPANY LIMITED

รายงานประจำปี 2561 (1 มกราคม - 30 มิถุนายน 2561)

บริษัท แม็คกรุ๊ป จำกัด (มหาชน)

MC GROUP
www.mcgroupnet.com