

ANNUAL REPORT 2012

PROVIDE HAPPINESS AND  
ACHIEVEMENT FOR ALL AGES



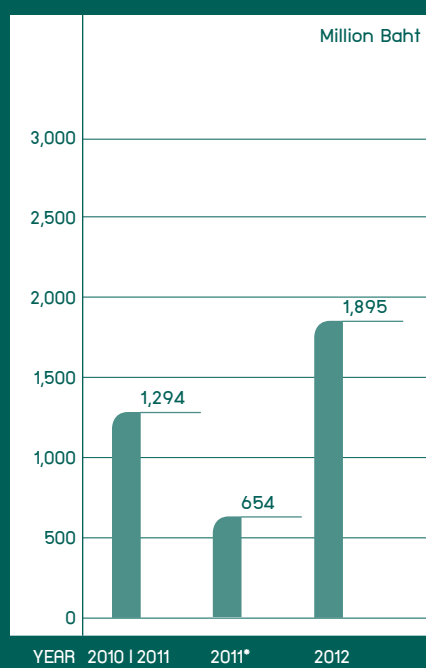
**MBK**  
G R O U P

บริษัท เอ็ม บี เค จำกัด (มหาชน)  
MBK PUBLIC COMPANY LIMITED

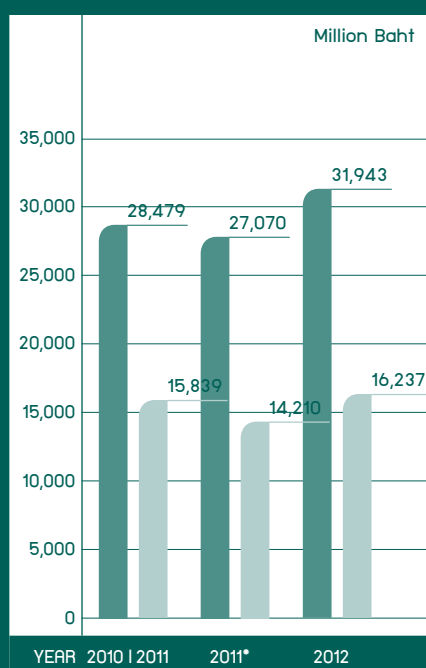
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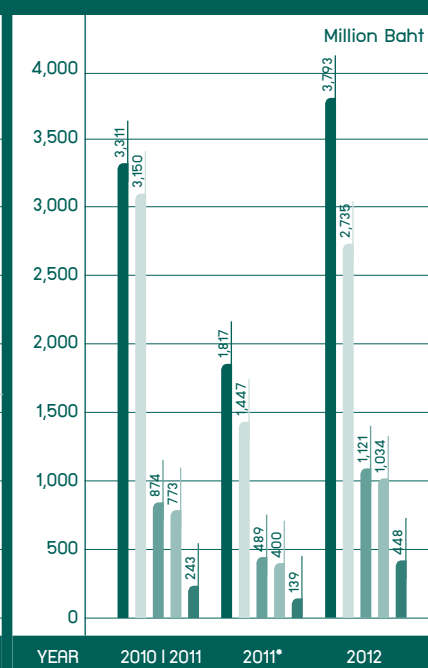
## NET PROFIT



## TOTAL ASSET & TOTAL LIABILITIES



## REVENUE STRUCTURE OF BUSINESS GROUP



# FINANCIAL HIGHLIGHTS

Financial Highlights of MBK Public Company Limited and its subsidiaries

(Unit : Thousand Baht)

	30/06/2011	Percentage	31/12/2011	Percentage	31/12/2012	Percentage
<b>STATEMENT OF FINANCIAL POSITION</b>						
Total Assets	28,478,641	100.00	27,069,995	100.00	31,942,788	100.00
Total Liabilities	15,838,589	55.62	14,209,902	52.48	16,237,258	50.83
Total Shareholders' Equity	12,640,052	44.38	12,860,093	47.52	15,705,530	49.17

	For the years ended 30 June		For the six-month period ended 31 December		For the year ended 31 December	
	2010/2011	Percentage	2011	Percentage	2012	Percentage
<b>INCOME STATEMENTS</b>						
Revenue from Service and Rental	3,311,389	39.65	1,816,694	42.33	3,792,660	41.54
Sales	3,150,364	37.72	1,446,831	33.71	2,734,588	29.95
Revenue from Hotel Operations	873,739	10.46	489,495	11.40	1,120,914	12.28
Revenue from hire purchase	242,603	2.91	138,877	3.24	448,547	4.91
Other Revenue	772,913	9.26	400,245	9.33	1,033,930	11.32
Total Revenues	8,351,008	100.00	4,292,142	100.00	9,130,639	100.00
Gross Profit	2,721,029	32.58	1,479,576	34.47	3,446,008	37.74
Net Profit attributable to equity holder of the parent	1,294,315	15.50	654,408	15.25	1,894,597	20.75

## THE FINANCIAL RATIOS OF MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

		For the years ended 30 June	For the six-month period ended 31 December	For the year period ended 31 December
	(Unit)	2010/2011	2011	2012
Net Profit / Total Revenues	%	15.50	15.25	20.75
Return on Average Equity *	%	11.31	11.04 ****	14.32
Return on Average Assets	%	4.69	4.72 ****	6.42
Earnings Per Share ***	(THB)	8.55	4.32	12.51
Dividend Per Share	(THB)	5.00	2.50	5.25
Book Value Per Share */ ***	(THB)	77.50	79.10	95.68

Note \* Shareholders' equity represented equity attributable to the Company's shareholders (excluding equity attributable to non-controlling interest of the subsidiaries).

\*\* On 5 April 2013, the Board of Directors will propose to the Annual General Meeting of the shareholders to approve the dividend payment of Baht 2.75 per share from unappropriated retained earnings

\*\*\* Calculated from the number of ordinary shares which deducted by treasury stocks held by the Company and its subsidiaries.

\*\*\*\* Annualized

## MESSAGE FROM THE CHAIRMAN



“ THAI ECONOMY IN 2012 SUCCESSFULLY RECOVERED FROM THE MAJOR FLOOD IN LATE 2011 AND THE TURMOIL OF THE WORLD’S ECONOMIC CRISIS. HOWEVER, THERE WERE IMPORTANT FACTORS FROM THE ECONOMIC FOUNDATION OF THE COUNTRY ALONG WITH THE GOVERNMENT’S POLICIES TO REVIVE THE ECONOMY. THEY INCLUDED THE FIRST CAR TAX REFUND POLICY, THE INCREASE OF MINIMUM WAGE AND SALARY OF CIVIL SERVANTS, THE DECREASE OF CORPORATE INCOME TAX, RICE PLEDGE PROJECT, THE COMPENSATIONS FOR FLOOD VICTIMS, AND SUPPORTING FACTORS FROM THE INVESTMENT OF THE PRIVATE SECTORS THAT HAD RENOVATED THE FLOOD-DAMAGED ASSETS, AND THE CONTINUAL PRODUCTION FROM THAI INDUSTRIAL SECTORS. THE ABOVEMENTIONED FACTORS BROUGHT CHALLENGES UPON THE BUSINESS OPERATION OF MBK PUBLIC COMPANY LIMITED (“MBK”) AND ITS SUBSIDIARIES (“GROUP”). ”

The Group’s performance as of December 31, 2012, in comparison to the performance from the last 12-month period of year ended December 31, 2011, was considered satisfactory. The overall revenue totals of Baht 9,131 million, an increase of Baht 598 million or 7% from last year. The attributable to equity holders of the Company profit totals Baht 1,895 million, an increase of Baht 518 million or 38%. The increase is due to the improved performance of business units in the Group’s businesses, except for the rice business that was affected from the government’s rice pledge policy. However, the performance did affect the overall performance of the Group. As for the financial status of the Group as of December 31, 2012, in comparison to the balance as of December 31, 2011, there were several changes. The Group’s total assets are Baht 31,943 million, an increase of Baht 4,873 million or 18%. The total liabilities are worth Baht 15,706 million, an increase of Baht 2,846 million or 22%. The total assets and liabilities had increased in accordance with the growth of the Group’s businesses, the price increase of properties in the market demand to be consistent with the fair value, and the increase of the issue of debentures to support the expansion of financial and real estate businesses.

The Group had implemented following important measures, with the determination to operate an efficient and sustainable business in order to generate satisfactory profits for shareholders consistently and continuously.

**SHOPPING CENTER BUSINESS** In 2012, there was a continuous expansion in the investment of the shopping center business as a result of the growing expansion of the retail industry. The supporting factors included the increase in consumers’ confidence and purchasing power. Therefore, the shopping center needed to consistently develop and improve its business to support the overall growth of the country’s economy after ASEAN Economic Community (AEC) is in effect in 2015.

The Nine Center has invested over Baht 300 million (excluding its land cost) in the construction of the second phase. There was also an investment of Baht 700 million (excluding its land cost) to develop HA HA Market near Paradise Park. The project is the joint venture between MBK and Siam Pivat Company Limited and will serve to fulfill the customer consumer demand in products and services. Both projects will be finished by end of 2013.

**HOTEL AND TOURISM BUSINESS** There was a major renovation of 240 rooms at Sheraton Krabi Beach Resort with the total budget of Baht 270 million. The renovation will take approximately 3 years. At present, 6 buildings were completely renovated and the remaining 2 buildings are scheduled be finished by 2013. In addition, the business agreed to be the management of the club house building in 3 golf courses that belong to the Group's golf business in order to increase customers' satisfaction in quality and services of the golf courses.

**GOLF BUSINESS** There are 2 golf courses from the golf business open in Phuket: The Loch Palm Golf Course and The Red Mountain Golf Course. There is one golf course in Pathumthani – Riverdale Golf and Country Club. Last year, MBK's golf business had signed Reciprocal Agreements with more leading golf courses abroad, allowing the golf business to have Agreements with around 15 courses. The main goal is to become the leading golf courses in terms of quality equivalent to other top courses as well as to improve all services to the utmost efficiency.

**REAL ESTATE BUSINESS** The main function of this business is to develop properties for sale, provide property management and consultancy service and asset appraisal service by our experienced experts in real estate business. The business aims to cater real estate demands from both Thai and foreign clients. In the beginning of 2013, the real estate business will launch "Quinn Condo", two high-rise condominium buildings located on Ratchadapisek Road, near Suthisarn MRT station.

**RICE BUSINESS** The main business is rice production and distribution to domestic and foreign markets. The focus is still on strengthening "Mah Boonkrong" and "Mah Boonkrong Plus" trademarks. Additionally, the business will expand its food business by acquiring the food center on 5<sup>th</sup> and 6<sup>th</sup> floors of MBK Center in 2013. The business will continue to improve in all dimensions to support its sustainable growth.

**FINANCIAL BUSINESS** The main business is to provide housing loans and short-termed loans to customers who have valuable collaterals which are marketable properties in good locations. Another financial business is to grant new motorcycle hire purchase loans as well as to provide after-sales services. The main goal of the financial business is to keep improving its products and services continuously.

**OTHER BUSINESSES** Other business operations include used car and motorcycle auctions. In 2012, there were improvements in several areas, such as becoming No.1 Online Auction Company in Thailand that provides live audio and visual stream from the real auction field. In addition, other businesses include the distribution of Yamaha motorcycles and spare parts, and also arranging financial services and insurances for clients. In order to support the growth of businesses in this unit, a new company was set up to accommodate the increasing sales of motorcycles and spare parts from various brands.

**SUPPORTING BUSINESS** The main business function is to provide training and consultancy services in organizing seminars for personnel development. In 2013, MBK will develop and improve the operations of its subsidiaries to be equivalent to the MBK standard.

The Group has successfully operated its businesses to achieve the visions, missions and goals, allowing the company a sustainable growth. For the success of the company, I, as the Chairman of MBK, would like to express my gratitude and thanks to shareholders, directors, executives, employees, every stakeholders, and supporters of the company and the Group, all of whom have supported and been a part of the company's business operation. Please be assured that the directors, executives, and all employees will operate the businesses to grow with sustainability, under the principles of Good Corporate Governance and Corporate Social Responsibility for society, community and environment for the benefits of every shareholders and stakeholders.



**MR. BANTERNG TANTIVIT**  
Chairman of the Board of Directors

# THE BOARD OF DIRECTORS



**01** MR. BANTERNG TANTIVIT  
CHAIRMAN

**02** MR. SUPHADEJ POONPIPAT  
VICE CHAIRMAN

**03** PROFESSOR PAICHITRA ROJANAVANICH  
INDEPENDENT DIRECTOR AND CHAIRMAN  
OF THE AUDIT COMMITTEE

**04** MS. PRAKONG LELAWONGS  
INDEPENDENT DIRECTOR AND MEMBER  
OF THE AUDIT COMMITTEE

**05** MR. PRACHA JAIDEE  
INDEPENDENT DIRECTOR AND MEMBER  
OF THE AUDIT COMMITTEE



06



07



08



09



10



11

**06** FIRST LIEUTENANT  
CHATRACHAI BUNYA-ANANTA  
INDEPENDENT DIRECTOR

**07** MS. PANIT PULSIRIVONG  
INDEPENDENT DIRECTOR

**08** MR. PIYAPHONG ARTMANGKORN  
DIRECTOR

**09** MR. SUVAIT THEERAVACHIRAKUL  
DIRECTOR AND PRESIDENT

**10** MR. HATCHAPONG PHOKAI  
DIRECTOR

**11** MR. ATIPON TANTIVIT  
DIRECTOR

# EXECUTIVE MANAGEMENT



**01** MR. SUVAIT THEERAVACHIRAKUL  
PRESIDENT AND CEO

**02** MR. PONGSAK SABDASEN  
SENIOR EXECUTIVE VICE PRESIDENT OFFICE  
OF PRESIDENT

**03** MR. KASEMSUK CHONGMANKHONG  
SENIOR EXECUTIVE VICE PRESIDENT FINANCE &  
ADMINISTRATION DIVISION

**04** MR. SAKCHAI KENGIJKOSOL  
SENIOR EXECUTIVE VICE PRESIDENT  
OPERATION DIVISION





**05** **MS. YUPAPUN PARITRANUN**  
SENIOR EXECUTIVE VICE PRESIDENT  
INTERNAL AUDIT DIVISION

**06** **MR. SOMBOON WONGRASSAMEE**  
SENIOR EXECUTIVE VICE PRESIDENT  
BUSINESS DEVELOPMENT DIVISION

**07** **MR. WINAI SRICHOBTHAM**  
EXECUTIVE VICE PRESIDENT  
MARKETING DIVISION

**08** **MR. APICHAT KAMOLTHAM**  
EXECUTIVE VICE PRESIDENT LEGAL DIVISION

# MANAGEMENT TEAM

## OFFICE OF PRESIDENT



**01** **MR. WIJARN HEEBPHORN**  
ASSISTANT SENIOR EXECUTIVE  
VICE PRESIDENT OFFICE OF PRESIDENT

**02** **MR. VIROJ LEETRAKUL**  
ASSISTANT SENIOR EXECUTIVE  
VICE PRESIDENT OFFICE OF PRESIDENT

**03** **MS. CHANINCHORN PREDEEPROMPAN**  
SENIOR VICE PRESIDENT STRATEGIC &  
OPERATION SYSTEM MANAGEMENT DEPARTMENT

**04** **MR. CHAROON PUNYACHATPORN**  
SENIOR VICE PRESIDENT PROJECT  
MANAGEMENT DEPARTMENT

**05** **MS. DARARAT HOMROSSUKHON**  
COMPANY SECRETARY  
VICE PRESIDENT COMPLIANCE DEPARTMENT

## FINANCE & ADMINISTRATION DIVISION



01



02



03



04



05



06

**01 MR. SURAPON SENACHAKR**  
SENIOR VICE PRESIDENT  
INFORMATION TECHNOLOGY DEPARTMENT

**02 MS. KANCHANA PANYARATTANAKUL**  
SENIOR VICE PRESIDENT  
FINANCE DEPARTMENT

**03 MS. NATA-ON TUNPOON**  
VICE PRESIDENT  
GENERAL ADMINISTRATION DEPARTMENT

**04 MS. WANPEN RUNGROJCHANATHIP**  
VICE PRESIDENT  
ACCOUNTING & BUDGET DEPARTMENT

**05 MR. PHIRAPHON PHRUEKSAMAS**  
VICE PRESIDENT  
HUMAN RESOURCES DEPARTMENT

**06 MS. GRISSANEE DEJWORACHAI**  
VICE PRESIDENT  
PROCUREMENT DEPARTMENT

# MANAGEMENT TEAM

## OPERATION DIVISION



**01** MR. SATAWAT LAKLAEM  
ASSISTANT SENIOR EXECUTIVE VICE PRESIDENT

**02** MS. PRAIYAPORN KHAENGRAENG  
SENIOR VICE PRESIDENT SERVICE DEPARTMENT

**03** MR. PONGWIKARN WISARUTCHOTIKUL  
VICE PRESIDENT SECURITY MANAGEMENT DEPARTMENT

**04** MR. PURIM PRACHANTASEN  
VICE PRESIDENT ENGINEERING DEPARTMENT

**INTERNAL AUDIT DIVISION**

**BUSINESS DEVELOPMENT DIVISION**



01



02



01



02

**01 MS. YUPAPUN PARITRANUN**  
ACTING VICE PRESIDENT  
MANAGEMENT AUDIT DEPARTMENT

**02 MS. CHATCHAMAS LUENGSAKSRI**  
VICE PRESIDENT OPERATIONAL AUDIT DEPARTMENT

**01 MR. SOOMBOON PRASOBPIBOON**  
VICE PRESIDENT  
BUSINESS DEVELOPMENT DEPARTMENT

**02 MR. SAKCHAI SUTHIIPAT**  
VICE PRESIDENT INVESTMENT DEPARTMENT

# MANAGEMENT TEAM

## MARKETING DIVISION



**01** MR. UTHAI KAEWKORNPRADIT  
SENIOR VICE PRESIDENT SALES DEPARTMENT

**02** MR. CHAIDOLE KRAIRIKSH  
VICE PRESIDENT DECORATION DEPARTMENT

**03** MS. SUTHISA PUMPRADON  
VICE PRESIDENT MARKETING DEPARTMENT

**04** MS. WORAWEE ANGSUTORONTAJARUPATT  
VICE PRESIDENT PUBLIC RELATIONS DEPARTMENT

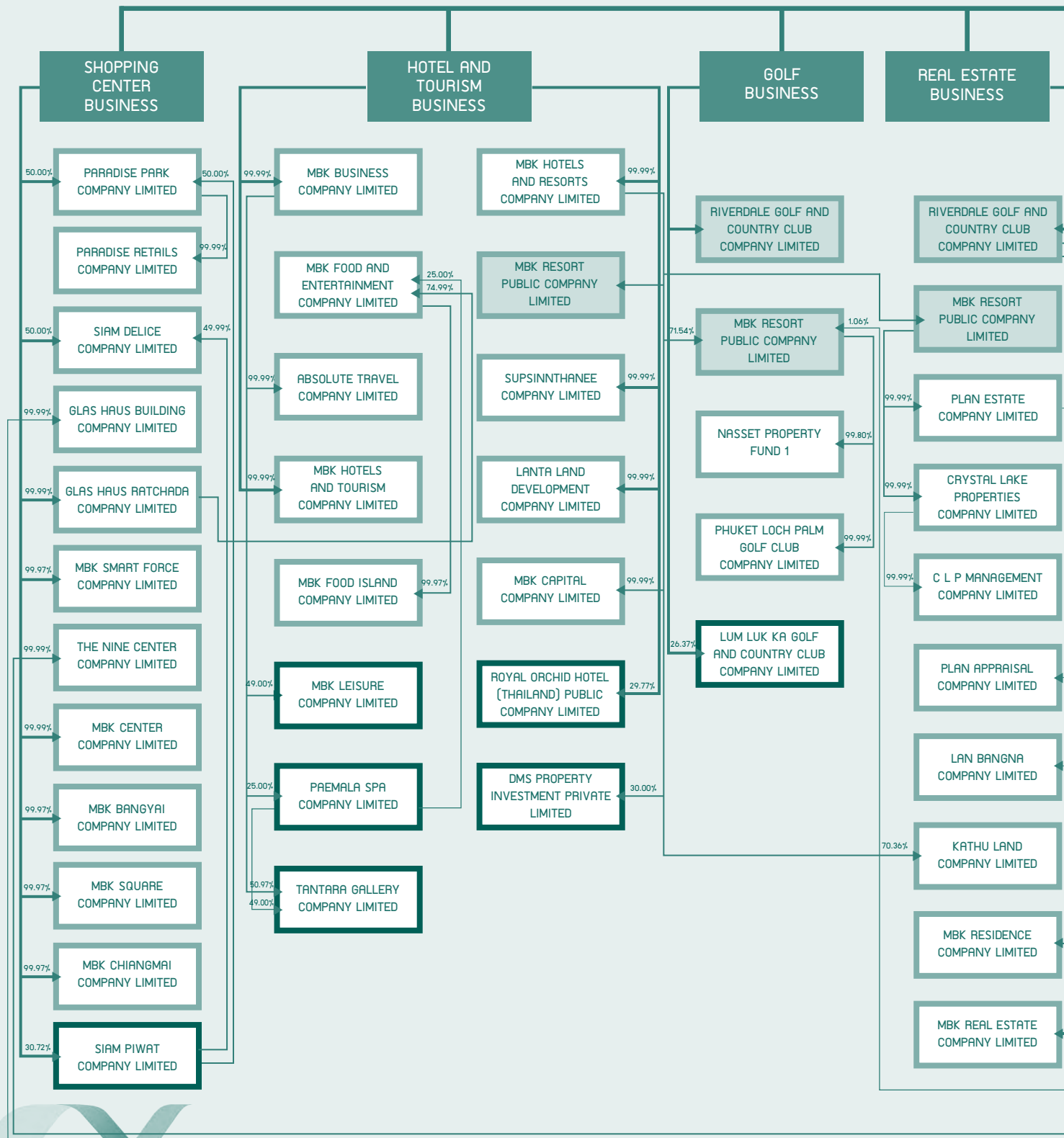
**LEGAL DIVISION**



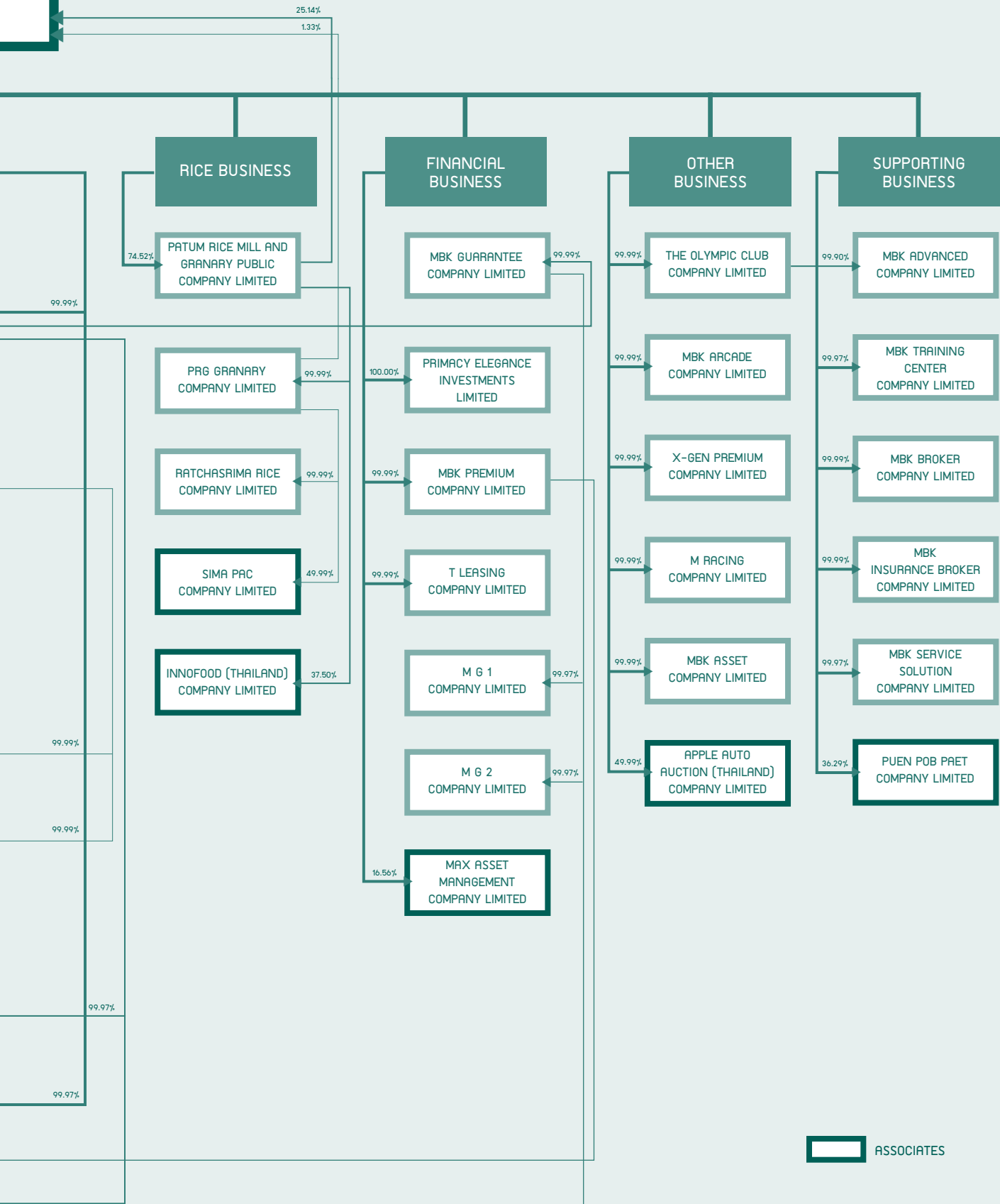
**01 MR. APICHAT KAMOLTHAM**  
ACTING VICE PRESIDENT CASE &  
JURISTIC PERSON DEPARTMENT

**02 MR. URITH PANANUNT**  
VICE PRESIDENT JURISTIC ACT DEPARTMENT

# SHAREHOLDING STRUCTURE OF MBK GROUP







# MBK GROUP

PROVIDE HAPPINESS AND  
ACHIEVEMENT FOR ALL AGES



## VISION

THE LEADING COMPANY MANAGED BY PROFESSIONALS WITH CONTINUOUS AND STABLE GROWTH BY INVESTING IN STEADY RETURN-GENERATED BUSINESSES WITH STRONG DETERMINATION IN PRODUCING WEALTH, RELIABILITY AND TRUST FOR ALL RELATED PARTIES, IN COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE



# NATURE OF BUSINESS OPERATIONS



MBK Public Company Limited (“MBK”) and its subsidiaries are engaged in key businesses as follows:

1. **SHOPPING CENTER BUSINESS** is operated by MBK and its subsidiaries such as

The Nine Center Company Limited (“TNC”) and Paradise Park Company Limited (“PDP”).

2. **HOTEL AND TOURISM BUSINESS** are operated by MBK’s subsidiaries, with details such as:

- **Hotel business** is operated by

MBK Hotels and Tourism Company Limited (“MBK-HT”), MBK Hotels and Resort Company Limited (“MBK-HR”), MBK Business Company Limited (“MBK-BUS”), Supsinthanee Company Limited (“SSTN”) and Lanta Land Development Company Limited (“LLD”).

- **Tourism business** is operated by

Absolute Travel Company Limited (“ALT”) and MBK Leisure Company Limited (“MBK-LS”).

3. **GOLF BUSINESS** is operated by MBK’s subsidiaries such as MBK Resort Public Company Limited (“MBK-R”) and Riverdale Golf and Country Club Company Limited (“RDGCC”).

4. **REAL ESTATE BUSINESS** is operated by MBK’s subsidiaries such as Plan Estate Company Limited (“PST”) and Crystal Lake Properties Company Limited (“CLP”).

5. **RICE BUSINESS** is operated by MBK’s subsidiaries such as Patum Rice Mill and Granary Public company Limited (“PRG”) and PRG’s subsidiaries.

6. **FINANCIAL BUSINESS** is operated by MBK’s subsidiaries such as MBK Guarantee Company Limited (“MBK-G”) and T Leasing Company Limited (“TLS”).

7. **OTHER BUSINESSES** are operated by MBK’s subsidiaries such as Apple Auto Auction (Thailand) Company Limited (“AAA”), X-GEN Premium Company Limited (“X-GEN”) and M Racing Company Limited (“MRC”).

8. **SUPPORTING BUSINESSES** is operated by MBK’s subsidiaries including MBK Training Center Company Limited (“MBK-TC”) and MBK Broker Company Limited (“MBK-B”).

## MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

### YEAR 2012

- March 2012 the Company established a new company named MBK Chiangmai Company Limited (“MBK-CM”) with investment proportions 99.97% to support the expansion of the Company.
- May 2012 the Company established a new company named M Racing Company Limited (“MRC”) with investment proportions 99.997% to support the expansion of the Company
- June 2012 the Company established a new company named MG1 Company Limited (“MG1”) and MG2 Company Limited (“MG2”) with investment proportions 99.97% to support the expansion of the Company.
- October 2012 the Company established a new company named MBK Service Solution Company Limited (“MBK-SS”) and MBK Real Estate Company Limited (“MBK-RE”) with investment proportions 99.97% to support the expansion of the Company.



- In 2012 MBK issued a new series of unsubordinated, unsecured, and no Debenture holders’ Representative type debentures amount THB 3,400 million.

## SHOPPING CENTER BUSINESS

### MBK CENTER

MBK Center is an integrated shopping center under “One Stop Shopping” concept which is located on an area of over 23 rai. It comprises of office building 20 stories, Pathumwan Princess Hotel 29 stories and shopping center 8 stories that operates retail business with 140,000 square meters rentable area under management of MBK Public Company Limited.

#### AS OF DECEMBER 31, 2012

MBK Center Building has a total area of 270,802.75 square meters with space allocation as follows:

■ Shopping center	142,358.31	Square Meters
■ Office Tower	23,330.07	Square Meters
■ Hotel	47,840.71	Square Meters
■ Car park	57,273.66	Square Meters

## THE DETAILS OF AREAS IN MBK CENTER BUILDING ARE AS FOLLOWS:

### 1. Area for rent includes the following:

1.1 Shopping center area (MBK Center) 142,358.31 Square Meters.

These areas consist of:

■ Area rented out to shops 92,564.79<sup>1</sup> Square Meters

■ Common area 49,793.52 Square Meters

1.2 Office area for rent (MBK Tower Building)

Area from 9<sup>th</sup> to 20<sup>th</sup> Floors 23,330.07 Square Meters.

These areas consist of:

■ Office area for rent 16,181.45<sup>2</sup> Square Meters

■ Common area 7,148.62 Square Meters

### 2. Area not for rent includes the following:

2.1 Hotel area (Pathumwan Princess Hotel) 47,840.71 Square Meters.

These areas consist of:

■ Hotel guest rooms (29 floors) 26,127.61 Square Meters

■ Common area 21,713.10 Square Meters

2.2 Car parking area 57,273.66 Square Meters

## THE AREA RENTED OUT BY MBK CAN BE DIVIDED INTO TWO TYPES AS FOLLOWS:

1. **Area for long-term rent** with the rental period of over three years and the rental fees collected in advance is calculate into 18% of the area rented.

2. **Area for short-term rent** with the rental period ranging from one to three years and the rental fees collected monthly is calculate into 82% of the area rented.

MBK has already extended the long-term lease contracts in advance for a period of 10 years with the lessees whose contracts will expire in 2010 to 2013. The term of the extended leases is the same as the term of the previous leases. The purpose is to enhance the confidence of the lessees in doing their businesses.

In 2012 MBK Shopping Center has been adjusted, improved and repaired various systems inside the shopping center as follows:

- Renovation of a nursing room on G floor to enhance image together with facilitating customers.
- ATM machine installation in front of Tops Super Market on G floor replacing public telephones for appropriating the current usability.
- Change of cold water pipes insulation within the shopping center for saving energy.
- Central air handling unit cleaning to maintain good air quality inside the shopping center.
- Replacement of elevator and escalator spare parts to increase efficiency and perform time-based maintenance.

## TARGET CUSTOMERS OF SHOPPING CENTER BUSINESS

1. **TENANTS RENTING SPACE FOR THEIR BUSINESSES IN THE SHOPPING CENTER.** These tenants include the following:

- **ANCHOR TENANTS** which include the department store, the movie theaters, the bowling alleys, the karaoke rooms, the center for mobile phones and their accessories, the furniture center, the international food courts and bank center. The anchor tenants have been carefully selected. The Company wants to make sure that the businesses of the tenants are in line with the needs of the target market and that the tenants have a strong financial position.

**Notes**

<sup>1</sup> From January 1 – December 31 2012, the space in the shopping center decreased/increased by 7.19 square meters because the rental space on the 2<sup>nd</sup> floor, zone D, was changed from Nokia care to Beauty shop.

<sup>2</sup> The rental space decreases due to the restoration of MBK's space from Thanachart Capital Public Company Limited to MBK's operation which has resulted in increasing public spaces.

TOP 10 MAIN TENANTS AS OF DECEMBER 31, 2012		(UNIT: M <sup>2</sup> )
1	SF Cinema City Development (Retail) Company Limited	15,843.87
2	Bangkok Tokyu Department Store Company Limited	12,000.00
3	S.C.P. Management Company Limited	8,342.97
4	Index Living Mall Company Limited	5,790.89
5	Pathumwan Light Company Limited	5,301.79
6	C & N Center Company Limited	4,367.36
7	MBK Entertainment Company Limited	2,631.99
8	A Group of Person Surachai and Chatchawal	2,066.07
9	Central Food Retail Company Limited	1,361.00
10	Power Buy Company Limited	838.72

█ **RETAIL TENANTS** such as the retail shop. As well, these tenants have been carefully selected. The Company wants to make sure that their goods and their services are of good quality and varieties.

2. **CUSTOMERS AND PEOPLE WHO BUY THINGS IN THE SHOPPING CENTER** which include the group such as student, working person and tourism.

### DISTRIBUTION CHANNELS OF SHOPPING CENTER BUSINESS

MBK makes use of the direct sales approach to promote the sales of rental areas in MBK Center. Offers are made to target groups which are stores capable of attracting customers to use services available in the shopping center as well as helping enhance the image of the shopping center.

During the past three years, there is not any tenant in MBK Center, who accounts for over 30% of MBK’s total revenues.

### COMPETITION IN SHOPPING CENTER BUSINESS

The overall image of retail business in 2012 grew well. In Bangkok and Surrounding Provinces, Total Retail Supply had a total area of about 6,002,289 square meters, an increase from the previous year to 8.6% with rental spaces 5,741,326 square meters. The occupancy rate was at 95.7% up from last year’s 14.5%. Suburban shopping centers have increased continuously since 2010 and they have more influence because a community mall is one of the options that consumers are becoming increasingly popular. As a result of the development of the transportation system extends out to the suburbs increasingly and the reason of more spreading shopping centers out of city since at this time constructions of single detached houses and condominiums increase, causing a community mall or neighborhood mall is increasingly needed by consumers. Besides that a community mall is supported by the government to reduce the car usage making it attractive to old entrepreneurs in the market and new entrepreneurs with high investment.





Pathumwan Intersection, Siam, Chidlom, Ploenchit and Phloen Chit of Sukhumvit Road are highly competitive areas due to the locations at the economic center comprising of offices, accommodations and premium class hotels. The areas are also the center of the largest retail business. As a result, large investment groups of retail business vehemently compete and those areas have several shopping centers opening for services such as MBK Center, Siam Discovery, Siam Center, Siam Paragon, Siam Square, Central World, Gaysorn Plaza, Bangkok Erawan, Amarin Plaza, Central Chidlom and The Emporium. So in another 1-3 years from now, there are large shopping center under construction for instance, Siam Square 1 of Chulalongkorn University Property Management Office where is developed as a shopping center 7 stories and will be opened in 2013, Gaysorn Plaza Phase 2 will be opened in 2014. The expansion of Platinum Group's retail business which develops old Bangkok Bazaar, a construction will begin in 2013 and Central Group's Central Embassy Project to expand the luxury market to the full extent in the end of 2013 also including the opening of The Mall Group's The Emporium 2 and 3 to expand retail business spaces of around 500,000 square meters which will be ready to open in 2014 with the total investment of several billion Baht.

MBK Center still used the mostly same format of marketing strategies such as discounts, activities but the shopping center emphasized on attractiveness, uniqueness, continual activities and selection of a variety of goods and services to meet client groups' needs. The strategies caused MBK Center to penetrate the foreign tourist market exceeding the goal. In 2012 the proportion of foreign tourists came to MBK Center were 42.61% representing a total of 37,177 people per day, up from 2011 15%, while MBK center still maintained Thai customer base. As a result, MBK Center had an average occupancy rate of 98-99.5% of the total rental spaces which was the highest occupancy rate comparing to rival shopping centers or in the same area.

## INDUSTRY TREND AND FUTURE COMPETITION OF SHOPPING CENTER BUSINESS.

Retail industry is a priority business sector because it is the index reflecting the economic activities of people in the society and the overall economy in the country. The tendency of retail industry extendibility in 2013 is expected to have a higher growth potential due to factors of consumers' improved confidence and purchasing power which stimulate the purchasing while the foreign tourist market increases especially in Asian market which accounts for approximately 40% of all tourists and it is steadily growing.

The offensive strategy of retail traders' expansion of branches in the future, it is expected to remain constant both in Bangkok and provinces. Finding location for new constructions includes rental spaces or acquisition for improving their own businesses instead of new construction taking a long time to construct buildings. Pattern of retail business continues to be continuously popular amongst traders such as a community mall since lifestyle behavior or consumers' lifestyles changing to be more urban society. This also includes consumers' purchasing habits, everything must be equipped with convenience and instant. Ideal locations are for expanding large-scale business becomes rare and city planning laws' limitations with limited conditions, which make a community mall format easily and quickly expanding and they result in a sale and shopping area in a new community at present.

In the future when trade linearization and more investment are available, competition in retail business becomes more severe as it may come from foreign investors becoming a new competitor in the market. These influence retail traders beginning to



expand a branch to provinces in the border areas between Thailand and neighboring countries (Myanmar, Cambodia, Laos) to see the opportunities gaining from Asean Economic Community (AEC), which will take place in 2015. AEC makes purchasing power of people in Asean likely increasing as a result of increased trade on growth and also including more Asean tourists come shopping in Thailand. It accompanies with a more convenient and flexible way to travel across the border. Beside that it is also seen that Thailand's economic potential can develop and grow more because Asean has an important role to the global economic with annual growth rate 10% and the advantage of Thailand's location which causes Thailand to have an opportunity to have access to Asean markets more easily.

## THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

### 1. Wastewater Treatment (Deep-Shaft Process)

Sine 1996 to present MBK Center and Pathumwan Princess Hotel have been using the Deep-Shaft process-type of wastewater treatment system which is the activated sludge process. The treatment, installed supplementarily from the original system which had been installed since the building was constructed, has used biological sludge as the main factor. The control of wastewater treatment as mentioned above has staff record all field data, report operational results regularly, and collect wastewater sample to operating room every month in order to examine water quality before discharge into public sewers. The company is able to have standard treatment as Building Type A and hires a contractor to sanitarly dispose the waste from the treatment process which is 2 tons a week.

### 2. Treated Water Recycling

MBK has a project to use recycled water which is former wastewater in order to use resources worthily by using reclaimed water in cleaning system to the floors, parking lots, and cooling tower system. Before using recycled water, there are the process of filtering to separate suspension through Sand Filter and adding Chlorine Dioxide as a disinfectant, so the water quality is suitable and safe for use. Particularly, the section used in cooling tower system has been collected water samples to the operating room to detect the Legionella Bacteria every four months. Consequently, these are the safe operation for indoor air quality of MBK Center by means of good corporate governance.

### 3. The Detection of Tap Water Quality Used in Shopping Mall

MBK is well aware of lessees and customers using safe tap water in shopping mall. As a result, the company has tap water quality detected every three months through randomly collecting tap water from various faucets and measuring drinking water quality once a year comparing to the drinking water standards of sealed containers which is always in the level of standard.

### 4. The use of Sanitizing Spray of Air Conditioning Systems

At the present time, due to the fact that there is the spread of the 2009 Influenza A (H1N1) greatly apart from using air coil cleaners, air duct cleaning, and indoor air quality testing in Shopping mall every year. MBK Center included the following additional measures:

- 4.1 The use of sanitizing spray after cleaning air conditioners helps to reduce the accumulation of bacteria in air coils, air vents, and other parts.
- 4.2 The installment of sanitizing gel to always clean air conditionings in order to disinfect germs that is in the air effectively and continuously.
- 4.3 The use of ozone sterilizers in central areas and air conditioners helps to reduce the accumulation of bacteria in air coils, air vents, and other parts.

The shopping mall adopted the measures as mentioned above to reduce the cause of the spread of influenza and to create customer confidence.

### 5. Chiller efficiency improvements

At present, MBK Center has been gone under a major renovation of air conditioning systems by replacing 8 old model cold water dispensers which had been used for 24 years with new high efficiency, safe energy model water chillers. The installation was completed in April 2010 which helped the shopping mall save the electricity in May 2010 to 455,000 units. The company is expected to save the electricity 6 Million units a year regarding as the government great response in the conservation of energy. Moreover, the new model water chillers help preserve the environment in the matter of reducing Carbon Dioxide (CO<sub>2</sub>) emissions that have contributed to global warming as well.

## 6. Sustainable Environment Project

At present, MBK Center currently focuses on reducing environmental impacts and consequently there are 2 environmentally friendly projects as follows:

1. Pilot program increases energy efficiency and reduces green house gas emissions by installing lighting energy savers (AVR machine: Automatic Voltage Regulator). In 2012 MBK Center could reduce electric consumption on the central corridors to 430,669.42 units per year, which reduced the electric consumption and MBK Center could participate Thailand Greenhouse Gas Management Organization (Public Organization) 's carbon credit project in 2012.

(“Carbon Credit is the gas causing other Greenhouse reactions. Each factory or building can reduce the gas and giving a monetary value to the reducing before the credit can be sold to developed countries.”)

2. Heat pump and water cooling pump motor efficiency improvement project with 38 sets of high efficiency pumps, they have been used for 25 years. They control the amount of cooling water and chilled water of air conditioning system distribution inside MBK Center to reduce electric consumption inside the building. It is expected to complete within 2013.

## 7. Environmental Control Measure Expenditures

The environmental control measure expenditures in the past five years are as follows:

### ■ Wastewater treatment system and Recycle System

(The data ends at 31<sup>st</sup> December 2012) (Unit: Baht)

YEAR	WASTEWATER TREATMENT SYSTEM			RECYCLE SYSTEM			TOTAL
	ELECTRIC EXPENSES	MAINTAINANCE EXPENSES	TOTAL	ELECTRIC EXPENSES	MAINTAINANCE EXPENSES	TOTAL	
2008	2,972,210	1,220,311	4,192,521	146,653	139,400	286,053	4,478,574
2009	3,325,403	1,730,341	5,055,744	114,720	180,917	295,637	5,351,381
2010	3,475,525	1,789,027	5,264,552	125,082	243,846	368,928	5,633,480
2011	3,237,825	2,275,174	5,512,999	174,500	149,238	323,738	5,836,737
2012	3,142,922	2,662,847	5,805,769	72,030	273,197	345,227	6,150,996

### ■ Expenses of Air Conditioning system and Ventilation System are as follows:

Air conditioning adjustment, use of gel and disinfectants in air conditioners, ozone disinfection and increasing the cleaning frequency of air handling unit

(Unit: Baht)

YEAR	AIR CONDITIONING SYSTEM					AIR VENTILATION SYSTEM	TOTAL
	AIR QUALITY AND LEGIONELLA BACTERIA MONITORING EXPENSES	GEL AND DISINFECTANT EXPENSES	OZONE STEAM TO KILL BACTERIA	CENTRAL AIR HANDLING UNIT AND DUCTS CLEANING EXPENSES	CHANGE OF WATER COOLER EXPENSES	AIR TO AIR IMPROVEMENT EXPENSES	
2008	269,640	342,400	-	1,033,000	-	-	1,645,040
2009	136,960	171,200	205,440	516,500	-	4,654,500	5,684,600
2010	261,600	60,000	-	737,000	99,000,000	-	100,058,600
2011	84,000	27,100	-	716,220	-	-	827,320
2012	280,340	30,446	-	2,280,078.80	-	-	2,590,864.80

## 8. Result of performance from 2008 to present

- 8.1 MBK Center was able to manage wastewater treatment system whose standards are in accordance with those applicable to the type A building in every parameter (8 Parameters) from 2007 onwards.
- 8.2 Tap water and drinking water measurements standardized the standard of drinking water in sealed container and non-contamination by microbes that cause digestive system disease.
- 8.3 Cooling tower water system measurements didn't find any Legion Ella Bacteria in the air conditioning system.

## 9. Environmental Conflict

- None -

# PARADISE PARK

## NATURE OF BUSINESS OPERATION

Paradise Park is the venture capital between MBK Public Company Limited and Siam Pivat Company Limited which is the executive of Siam Paragon, Siam Center and Siam Discovery with a total project value of THB 3,200 million on Srinakarin Road under “the Greatest Shopping Paradise of Eastern Bangkok”

Paradise Park was formerly known as Seri Center which opened from 1994 to 2008 and Seri Center was renovated both interior and exterior together with name change. The new project was opened in the name of Paradise Park in August 2010 to enhance the quality of life of population in Eastern Bangkok. The idea for Paradise Park is the Shopping Paradise for shoppers with great and large area to meet customers' needs of all genders and ages and serve as a perfect place for family customer groups.

So Paradise Park manages a long-term and short-term lease shopping mall business whose focus is on management to earn from renting out shopping area to entrepreneurs, earn from renting out space for billboards, earn from new product launch activities etc. Moreover because Paradise Park has core management intent to let Paradise Park become continuously popular in a short time Paradise Park has core management intent to let Paradise Park become continuously popular in a short time and includes building a healthy relationship with small and big tenants to manage a business with good performance. That will have an effect on rental fee, which will increase in next term of contracts and to increase income in a long term.

## MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

Paradise Park is a new shopping center, the major renovation is not necessary at this time but focusing on improving and strengthening building safety such as adding slings attach to large canvas roofs at the area of Royal Park Plaza, increasing emergency alarms in the parking building. However, the management has studied to improve different zones to be more interesting and it is expected that renovation will begin at Store Zone by finding a new store to make it always interesting.



## CHANNELS OF DISTRIBUTION OF SHOPPING CENTER BUSINESS

Paradise Park finds a tenant by emphasizing on selecting products and stores to meet the concept or the shopping center's zoning which comprises of food business groups, fashion, banks, educational institutions, IT and mobile phones, cosmetics, beauty clinics, jewelry, service groups, pet stores and other businesses. Paradise Park will select a store with a leading brand, quality products or above the standard in the business.

## COMPETITIVE OF SHOPPING CENTER BUSINESS

In 2012, two shopping malls opened in the Eastern area of Bangkok which is not very far from Paradise Park including Mega Bangna on Bangna K.M. 8 which was officially launched on May 5, 2012. Mega Bangna is the biggest horizontal shopping mall in South East Asia and a large furniture distribution with significant appealing is IKEA which is the center of home products, supermarkets, shopping center, restaurants, brand name products multiplex and integrated entertainment multiplex of Major Cineplex Group. Mega Bangna is the important competitor to the shopping market in this area affecting to compete in full extent. Furthermore, the other shopping mall was officially launched on November 1, 2012, is Thanya Shopping Park on Srinakarin Road which is the small horizontal shopping center focusing on a variety of SME businesses. This project helps to enhance the business competitiveness in this area aside from Seacon Square and Central Bangna and in the next 2-3 years more shopping center will be opened in the area of Bangna Intersection following the BTS route expansion. Therefore, each shopping center must have the clear marketing position and have a target group or regular customers in order to maintain their proper market share and survive in the fierce competition.

## THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

### 1. WASTEWATER TREATMENT

The Paradise Park Shopping Center has been using the Activated Sludge process (AS), a water treatment method, in Building 1 and the Sequencing Batch Reactor (SBR), an activated sludge process designed to operate under non-steady state conditions, in building 2 and 3 after a complete renovation in June 2010. The use of two types of wastewater treatment relates to the volume of wastewater in each building - wastewater volumes of building 1 of 500 cube meter per day, wastewater volumes of building 2 and 3 of 1,500 cube meters per day.

Operating and controlling wastewater treatment, the Paradise Park Shopping Center has all data recorded, the operational results reported regularly, water samples collected to the operating rooms every month for water quality tests. The shopping mall is able to have standard treatment as Building Type A (Reference the Enhancement and Conservation of National Environmental Quality Act, B.E. 2535)

#### 1.1 Waste occurring due to wastewater treatment

The total amount of waste of three buildings is 500 kilogram per week and the shopping center hires a contractor to sanitarily dispose the waste.

#### 1.2 Outdoor air quality owing to the cooling tower system

The cooling tower system is a part of the water cooling system to blow the cool wind in the shopping center. The engineer department has monitored the Legionella bacterial contamination in the system. As a result, they have collected water samples from cooling tower to the operating room for Legionella bacterial detection three times per year.

#### 1.3 Indoor air quality

The Paradise Park Shopping Center renovated the indoor environmental quality through designing to install the aspirating aerators and cleaning the supply air ducts in central area and shops in order to remove dust, bacteria, and other microbes that accumulates in the supply air ducts to improve indoor air quality via the operating plan every three years.

#### 1.4 Indoor tap water quality

The Paradise Park Shopping Center has operated to measure tap water quality in several points of the buildings comparing to the drinking water standard through the operating plan every 12 months.

### 2. THE ENVIRONMENTAL BUREAUCRACY'S MONITOR

Related Agencies are responsible for monitoring owners of premises to work on the environmental impacts due to premises activities compliance with the standard and building control regulations. The bureaucracies that the Paradise Park has cooperated with are namely:

- 2.1 Pollution Control Department, Ministry of Science, Technology and Environment
- 2.2 Department of Health, Ministry of Public Health
- 2.3 Water Quality Control Division, Bangkok

### 3. SUSTAINABLE ENVIRONMENT PROJECT

Paradise Park Shopping Center completely installed Inverter equipment to save energy of an aerator in restaurants inside the shopping mall and they was ready to use in November 2012 which help save energy 28,590 units per month and it is expected to save energy 346,800 units per year. Moreover, Paradise Park installed 3 Voltage Regulator equipment and it is expected to save energy 280,000 units per year to respond the government's saving energy and it also helps to reduce pollutants destroying the world's atmosphere from electrical power generation.

## THE NINE CENTER

### NATURE OF BUSINESS OPERATION

The Nine Center offers rental spaces within the mall, consisting of:

- |                    |                      |
|--------------------|----------------------|
| ■ Office buildings | 8,979 Square Meters  |
| ■ Retail buildings | 12,131 Square Meters |

### MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

- None -

### CHANNELS OF DISTRIBUTION OF SHOPPING CENTER BUSINESS

Selling rental spaces within the Nine Center directly offer to sell to target tenant group who has a store by selecting a store with products or service attracting customers to use the services in the shopping mall.



## COMPETITIVE OF SHOPPING CENTER BUSINESS

### 1. DIRECT COMPETITORS

No direct competitors (Due to 10 Kilometers radius having no a community shopping mall)

### 2. INDIRECT COMPETITORS

A nearby shopping center is Central Rama 9, which is a big shopping center in Central Group. It is located on Ratchadapisek Junction, 8 kilometers from the Nine Center. It was officially open on December 14, 2011. The target customers are the ones who live on Ratchadapisek Road. The Nine Center's target customers on Rama 9 Road mostly prefer convenient transportation and want to avoid traffic jam. So customers from Rama 9, Ramkamhang, Srinagarindra and Suan Luang areas still come to the Nine Center continuously. Therefore, the opening of Central Rama 9 did not affect the number of customers coming to the Nine Center very much.

### 3. THE ENTRY OF NEW COMPETITORS

Thanya Shopping Park Plaza, operated by Thaniya Group, is located on Srinagarindra Road. It is a community mall under the slogan 'Close to Home Shopping Mall among Nature'. It is open on November 1, 2013 and situated 7 kilometers away from the Nine Center. With the difference in the market position, Thanya Shopping Park Plaza is not a direct competitor of the Nine Center. However, the Nine Center's competing strategy is to set itself apart in the market as being the Tropical Village, emphasizing on the nature, garden and green atmosphere inside the Nine. With the adaptive interior design and services that emphasize on convenience, the Nine becomes the place for relaxation and family activity. Its big activity area has hosted various and interesting activities for customers of all ages all year round. It also offers a variety of shops and services such as banks, tutoring schools, home decorations, sport equipments, spa and beauty salons, fashion and other services more 80 shops. In addition there is the Seri Market that offers varieties of premium food. The Nine offers the parking space to accommodate up to 800 cars, with security measures and the CCTV system. With above reasons and the location on the potential Rama 9 Road, the Nine will meet the needs of continuous flow of customers as the outstanding meeting point in eastern Bangkok.

### 4. INTERNAL ENVIRONMENT

The Nine Center is located on Rama 9 Road. To the south it is adjacent to Rama 9 Road and Soi Rama 41 to the east. It consists of 9 buildings in 2 formats: retail space and office space. The rental space comprises of more than 80 shops from various professional business operators such as restaurants, coffee shops, bakeries, educational institutions, beauty salons and activity zone designed to support various types of marketing activities in every season. There is also convenient parking space. The shopping center emphasizes on the selection of outstanding restaurants and the offer of impressive atmosphere for customers. ABAC Poll Research Center revealed the result from the survey on opinions of people in Bangkok on community malls. The survey showed that during the past 3 months people who lived in Bangkok went to a community mall at least once a month to dine or meet with friends. The reason they selected a community mall was that it was close to home, which is a more important factor than having a complete range of modern products and services. People decide to go to community malls because they are located in a location with convenient access.

The image of a community mall is different from a normal department store or shopping center. It is not more unique in terms of having consumer products or fashion products such as clothes, bags, shoes and accessories. On the contrary, a community mall has a more outstanding image as a meeting point and a place to eat.

After 1 year opening in August 2012, the Nine Center held a “The First year anniversary” celebration. From the number of customers during the celebration from August 9, 2012 to September 9, 2012, the number of customers increased comparing to the same time in 2011. Later, organizers, people interested in rental spaces and the media are interested in arranging activities in the Nine Center continuously. The Nine Center became the most popular among the same types of shopping mall because of its green atmosphere, beautiful design, ability to meet the demands of the locals and innovative marketing activities. The Nine Center supports the purchasing power of customers in Eastern Bangkok, being the new meeting points for people of every lifestyle and a place of your relaxation.

## THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

### THE CURRENTLY ENVIRONMENTAL CONSERVATION AND PRACTICES

The Nine Center is aware of the possible environmental changes that could affect people living in the nearby area. As a precaution measure, The Nine Center installed a standard water treatment system to treat waste water before releasing it to the public drain pipes. It also has a work plan to prevent carrier animals within the mall so that there would not be any effect on the community. This policy also conforms to the principle of good corporate governance.



## GLAS HAUS BUILDING COMPANY LIMITED

### NATURE OF BUSINESS OPERATION

Glas Haus Building Company Limited was firstly listed on June, 16 1988 in the name of P Estate Company Limited and changed the listed name to Banchang Glas Haus Company Limited on August 21, 1992 and changed the name for the last time to Glas Haus Building Company Limited on August 27, 2000 to the present. Glas Haus Building Company Limited has been established for approximately 24 years and MBK Public Company Limited. MBK holds 99.99% shares on May, 25 2007. Glas Haus Building Company Limited manages “real estate leasing” business which has a long-term and short-term rent building. Its main income is from leasing areas for locating an office for several businesses and including embassies’ location such as Embassy of Argentina and Peru. The main income is also from a parking service which focuses on office tenants. Glas Haus Building is operated by MBK Square Company Limited.

### MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

Glas Haus Building Company Limited had fixed and improved various systems to improve the image of the building and to prevent any effect on the office space tenants. There were also management evaluations from tenants so that the Company could improve on the office building management according to the complaints and suggestions from the tenants.

## CHANNELS OF DISTRIBUTION OF SHOPPING CENTER BUSINESS

Rental building condition is more competitive in terms of prices and conditions of the lease, these enable operators comparing information with competitors. As a result, the rental rates increase not much. In 2013 it is expected to a need of renting small spaces of foreigners who are a new operator and they will increase more. So Glas Haus Building Company Limited has to do a plan of allocating rental spaces to comply with customers' needs.

## COMPETITIVE OF SHOPPING CENTER BUSINESS

Glas Haus Building is located on no. 1, Sukhumvit 25, Khlongtoey, Bangkok. It is a rental office building with approximately 15,000 square meters space for rent. The building is equipped with all service systems and also convenient to access from various means of transportations including public buses, BTS, MRT or San Sab Express Boat (Prasanmitra Port). The competition of office space for rent on Asoke Junction, Sukhumvit Road is very aggressive because it is the area with a lot of foreign residents. The nearby rival buildings include Interchange Building and Exchange Building that is 300 meters away and Jasmine Building which is directly adjacent to Glas Haus Building. All 3 buildings are new office buildings for rent with more modern design. So the competitive strategy of Glas Haus Building is to offer various sizes of space for rent. The smallest lot is only 30 square meters while a large space for rent is up to 411 square meters. The building is then able to cater both starting businesses and big businesses while the nearby buildings only offer spaces for big businesses and are not suitable for small businesses that do not need much space. Moreover, Glas Haus Building also adopts the service management of MBK Group to improve its services such as the cleaning service, security service, and maintenance service within the building. Tenants will feel more confident in the building's effectiveness and standard services.

## INDUSTRY TREND AND FUTURE COMPETITION OF SHOPPING CENTER BUSINESS.

In 2013 the competitions have no new office spaces launching into the market. Glas Haus Building continues to be the alternative choice which operators can consider since it is close to MRT and BTS and Sukhumvit Road is a large number of foreign residents. It is convenient and rapid to go to work.

## THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

Glas Haus Building Company Limited is aware of the importance of the best security measure for tenants as well as the responsibility towards environment and community. So the following measures are adopted in the building's facilities.

- Water Supply System: There is a test of the quality of water and waste water every year for the safety of tenants.
- Air Conditioning System: There is a test of the bacterial contamination in the cooling tower twice a year in order to find Legionella Bacteria that could affect the respiratory system.





- █ Security Measure: There were installations of the following security equipments:
  - ▶ Automatic Fire Extinguishing System such as Sprinkle System
  - ▶ Fire Warning System on every floor
  - ▶ Standpipe System to store water and Inlet Valve
  - ▶ Handheld Fire Extinguishers
  - ▶ Emergency Light System along the fire escape route
  - ▶ Lightning Prevention System
  - ▶ Floor plan indicating the location of each room attached in the front of elevators on every floor
  - ▶ Smoke Control System to prevent smoke to spread to other floors

## GLAS HAUS RATCHADA COMPANY LIMITED

### NATURE OF BUSINESS OPERATION

Glas Haus Ratchada Company Limited was firstly listed on June 8, 1990 in the name of Korat Thani Company Limited and changed the listed name to Glas Haus Ratchada Company Limited on July 30, 2010 to the present. Glas Haus Ratchada Company Limited has been established for approximately 22 years, and MBK holds 99.99% shares on July 1, 2005. Glas Haus Ratchada Company Limited manages “real estate leasing” business which is a leasing office building. The office building is located on Ratchadaphisek Road near MRT. Glas Haus Ratchada Building is an office building for both long-term and short-term rent, its main tenant is a bank. It focuses on tenants of office spaces for various businesses. The open space around Glas Haus Ratchada Building is also open for auto auction events and retail shops. The glass pane around the building is also available for advertising.

### MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

In 2012 Glas Haus Ratchada Building’s leasing spaces had been slightly changed on the details in an internal project because the building is fully rented and reducing some leasing spaces of the bank, which was the main tenant. The spaces were developed into retail business spaces, moreover, car parking was improved by constructing car parking’s roof which was a result from the continuously increase of customers and in 2013 it may be adjust car parking fees higher from the old fees for complying car parking fees with the market fees in this area.

For a short-term rent of a new tenant, which is a bank and the lease will expire in March 2013, it does not cause any effects on Glas Haus Ratchada Building since the tenant tends to rent the space for the next 3 years.

### CHANNELS OF DISTRIBUTION OF SHOPPING CENTER BUSINESS

At present, Glas Haus Ratchada Building is fully 100% rented which Thanachart Bank is a tenant rents 99% the bank tends to extend the lease to 3 years. However, the company launches the website to promote and publicize Glas Haus Ratchada Building’s details such as area sizes, example areas and advertising areas in order to access to information of people who want office building spaces in Ratchada zone.

### COMPETITIVE OF SHOPPING CENTER BUSINESS

At the moment 99% of the space within Glas Haus Ratchada Building is occupied by Thanachart Bank. The building is set to be the IT and training centers of the bank. Therefore, Glas Haus Ratchada Building has organized its space and security system to specifically serve employees that come in for training.

Glas Haus Ratchada Building realizes that Ratchada Road has an increasing number of office buildings to relieve the density in the A area. Moreover, the communication and transportation nowadays is more convenient while there are also more shopping center open on Ratchada Road as well as condominium buildings. Therefore, in the future, there should be more demands of rental space on this road.

At the same time there are more competitions in the office space business on this road. There are new buildings being constructed during the past 1-2 years such as Cyber World Tower, a skyscraper with office building for rent. The new Central Department Store on Rama 9 junction also has its top floors available for rent. So, in the future there will be more competitions on Ratchada Road.

## THE PROCESS OF REDUCING ENVIRONMENTAL IMPACTS

Glas Haus Ratchada Building is aware of the possible environmental effects on the area around the building. The Company also has a policy that focuses on the environment.

### MEASURES AGAINST ENVIRONMENTAL EFFECTS OF GLAS HAUS RATCHADA BUILDING

#### ■ Effect from Wastes

At present Glas Haus Ratchada Building has separated dangerous waste, such as light bulbs, from normal waste and hired Din Dang District Office to get rid of those wastes.

#### ■ Effect on Water

Glas Haus Ratchada Building realizes the importance of the water system of the building including the system to release waste water from the building and the water supply system. The building has checked the quality of water in every 12 months to make sure it is up to the standard of drinking water. The building also informs the tenant to add more water filters on every floor. As for the waste water, Glas Haus Ratchada Building has treated the waste water before releasing it out of the building. At the same time the building will test the quality of the waste water before releasing it to the public system in every 12 months. Glas Haus Ratchada Building also hires Din Dang District Office to either get rid of or recycle the residues from waste water.

#### ■ Effect from Noise

In order to prevent the problem from noises within the office of the tenants, Glas Haus Ratchada Building has set up a maintenance plan for machines installed on each floor so that there will be a minimum of noises interfering the work of the tenant.

#### ■ Effect from Air

Glas Haus Ratchada Building has used the Cooling Tower System and the water cooling system. The engineering department of the building is well aware of the importance of the monthly cleaning of the air cooling ventilation system and the lab test of the quality of the cool water that is distributed into the system. The building also has a fresh air ventilation system within the building so that the tenant will have quality air. At the same time there is a system to release polluted air out of the building. Glas Haus Ratchada Building has also has a measure to control the burning of any materials or trashes within the building in order to prevent any direct effect on the environment.

## HOTEL AND TOURISM BUSINESSES

### HOTEL BUSINESS

Hotel business is operated by MBK Hotels and Tourism Company Limited (“MBK-HT”), MBK Hotel and Resorts Company Limited (“MBK-HR”), MBK Business Company Limited (“MBK-BUS”), Supsinthanee Company Limited (“SSTN”) and Lanta Land Development Company Limited (“LLD”). The hotels which have been opened for business include the following:

1. Pathumwan Princess Hotel, Bangkok, is operated by MBK-HT. It has been opened for business since 1996.
2. Sheraton Krabi Beach Resort, Krabi Province, is operated by STARWOOD. It has been opened for business since early 2003.
3. Tinidee Hotel@Ranong (formerly Royal Princess Ranong Hotel), Ranong Province, is operated by MBK-HT. The hotel was already in operation before MBK acquired shares in SSTN on August 20, 2002.

4. Tinidee Inn, located in the same area as Tinidee Hotel@Ranong, is operated by MBK-HT. The hotel is opened since April 2011.
5. Tinidee Hotel@Phuket is located in Phuket province, is operated by MBK-HT. The hotel is opened since November 2010.
6. Layana Hotel is located on Lantayai Island in Krabi Province, is operated by MBK-HT. The hotel has already been open before the takeover from MBK in April 2011.

MBK-HT was founded in 2010 to manage associated hotels and offer hotel management service to hotels in Thailand and abroad. In addition to managing associated hotels as defined above, MBK-HT also manages a club House inside the Riverdale Golf and Country Club, the Loch Palm Golf Course and the Red Mountain Golf Course since September 2011.

## PATHUMWAN PRINCESS HOTEL

Pathumwan Princess Hotel is located in Bangkok and operated by MBK-HT. The hotel has commenced operations since 1996. The hotel offers services in several areas accommodations such as 455 non smoking guestrooms, the banquet rooms, the seminar rooms and the restaurants, the meeting rooms, the fitness center and the spa.



## MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

In 2012, Pathumwan Princess Hotel had made many modifications, which are as follows:

1. A swimming pool renovation with a budget of THB 11 million started from 15 June 2012 to 15 August 2012.
2. 8<sup>th</sup> floor Sport Zone renovation to become Bar Terrace with a budget of THB 4 million started from 12 November 2012 to 21 December 2012.
3. Marketing : Marketing plans of the group in 2012
  - 3.1 Aiming to promote sales in the potential Asian market such as China and India's middle to high class market and also including the sale policy adjustment to the Middle East market consistent with the main structure of the hotel.
  - 3.2 Maintaining the stability and requirements of the major markets including Australia, Singapore and Southeast Asia countries by creating a promotional plan and sale-promotion plan periodically.
  - 3.3 Reduction of the price structure of the market in the European zone, Scandinavia and England consistent with the competitive conditions in the market. Aiming to increase the food and beverage consumptions from these markets.
  - 3.4 Aiming to offer more sale presentations of catering, conferences, seminars, MICE and Incentive Group by renovating and increasing the number of seminar rooms in the hotel.

- 3.5 Improving the appearance of the hotel's website to be more modern, convenient and easier to book a room and considering the use of Booking Engine to be more compliant with the competitive conditions.
- 3.6 Optimizing the increasing use of online media and developing Digital and Social media system.
- 3.7 Developing and improving Customer Relation Management system and focusing on the importance of Repeating and Loyalty guests.
- 3.8 Promoting and developing the sales of catering and seminar trips.
- 3.9 Linkage and allying to join a promotional sale with shopping centers and local department store.
- 3.10 Sale promoting and creating Golf Packages with Riverdale Golf and Country Club Company Limited.
- 3.11 Planning activities and events to promote the hotel's image and reputation

## TARGET CUSTOMERS OF PATHUMWAN PRINCESS HOTEL

**MAIN CUSTOMERS ARE** travelers from Australia, Singapore and the United Kingdom as these countries still have strong potential in terms of financial and economic growth.

### MINOR CUSTOMERS

- Customers that have certain traveling season of the year such as customers from Scandinavia, New Zealand and Customers from Middle East.
- Customers that never use hotel services but have the efficiency in paying such as China and Europe.

## CHANNELS OF DISTRIBUTION OF PATHUMWAN PRINCESS HOTEL

Pathumwan Princess Hotel has established the following channels of distribution:

- Selling directly to companies and commercial establishments
- Selling through local travel agents and overseas tour operators in different regions of the world
- Selling via the internet
- Selling through leading airlines' systems
- Selling through press, advertisement and public relations
- Selling during tourism promotion events
- Selling through the hotel's network channels, i.e. those of the Dusit Princess Group
- Direct sales to government sector, public enterprise and other associations.

## COMPETITIVE OF PATHUMWAN PRINCESS HOTEL

In 2012, a hotel business in Bangkok, especially around Pathumwan Princess Hotel, was adversely affected by the increasing number of rooms. The ratio of occupancy is behind the increasing number of rooms and impacts a very fierce price competition. However, due to its recent renovations on the guests room and the conference rooms, accompanied with its good location and an increase in the quality of good services, Pathumwan Princess Hotel was able to attract tourists from the main target group. Owing to these reasons, the hotel was able to maintain the market share when compared with its competitors.

## PATHUMWAN PRINCESS HOTEL'S INDUSTRY OUTLOOK AND COMPETITIVE IN THE FUTURE

The factors which impact to Pathumwan Princess Hotel's industry outlook and competitive in the future are as follows:

- Since overall global economy has not recover from last year causes tourist to change their spending behavior. This make tourists spend less on travelling.
- The country's politics after the election in 2011 is uncertain and may effect the amount of tourists visiting Thailand.

- █ Disasters in many countries around the world decrease number of tourists.
- █ There are quite a number of new hotels in Bangkok which increased the number of available guest rooms, especially Sukhumvit and Rama 1 Road area.
- █ Airline starts new route by providing direct flight to other provinces. This allow tourist to reach their destination in other province without having to stopover in Bangkok.
- █ Environmental problems, traffic jams and pollution
- █ Stronger Thai baht

#### ATIONS TAKEN BY PATHUMWAN PRINCESS HOTEL TO REDUCE THE IMPACT ON THE ENVIRONMENT

Pathumwan Princess Hotel has the same environmental protection measures as those of MBK Center since the hotel is located in the same building of MBK Center (see details on Page 23).

## SHERATON KRABI BEACH RESORT

Sheraton Krabi Beach Resort Hotel is located in Krabi Province and operated by MBK Hotels and Resorts Company Limited (“MBK-HR”). The hotel has opened since 2003 and offers an accommodation for 240 rooms, the restaurants, the fitness center, the recreation room, the seminar rooms, the banquet rooms and the spa.

#### MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

Sheraton Krabi Beach Resort Hotel in 2012 had several changes as follows:

1. Room renovation projects of G Building 24 rooms and H Building 33 rooms were completed in 2011 with a budget of THB 80 million. A swimming pool of H Building’s Suite room was completed at 21 January 2012 due to a delay as a result of the flooding in 2011.
2. Room renovation projects Phase 2 were approved for renovating rooms in 6 buildings during the low season with a budget of THB 195 million. The projects started to renovate the first four buildings, which consisted of A Building 33 rooms including 1 pool suite, B Building 30 rooms started to renovate May 2012, C Building 30 rooms and D Building 30 rooms. The renovations were completed at November 8, 2012. For the rest of the buildings including E and F Buildings are under renovation.
3. Mandara Spa renovation project was completed in January 2012 and has selected new treatment products for the spa service.
4. A new landscape of the west side of the hotel was renovated to give a better view of the water but it continues to maintain the intact mangrove area.



5. High Speed Wi-Fi is installed inside all rooms. The rooms are equipped with the latest Motorola large bandwidth and the speed upgrades to 10 Mbps.
6. Beds were changed to a Sweet Sleeper bed in every renovative room.
7. TVs were changed to 32"LED TVs in every renovative room.
8. Recreation Hut at Malati Pool area was moved and has changed to the area selling ice creams and desserts. We have received a good response from customers.
9. A walkway is built between A Building and Gecko Restaurant.
10. A contract signed up with Thomson Air Crew to increase a Scandinavian customer base during the early high season to the low season (1 Nov.-30 Apr. 2013), it causes the hotel to sell more rooms for the airline with higher prices and also increases ADR. For overall images, the hotel can sell the rooms in the high season and festivals at higher prices.
11. The hotel does the marketing with Indian customers who had a wedding ceremony in December 2012 from the promotion with an Indian travel agent and a wedding organization. We also have an advertise in a Thailand Wedding brochure of Tourism Authority of Thailand in India, which expands the customer base of Indian market to come and have more wedding ceremonies.
12. The hotel has a promotion with Studio Suite with pool for Honeymoon Korean market.
13. Sheraton Krabi Hotel has registered to be a member of Weibo Hotel for receiving the information of Chinese customers via Social Media.
14. The hotel has a promotion with Krabi Province where is a new marine tourist attraction with Russian tourist entrepreneurs.
15. The hotels are a partnership with Bookings.com and Agoda to expand the customer base via Social Media.
16. The hotel makes a website: Theromantictourist.com for UK wedding and honeymoon market.
17. We make a contract to sell a renovative room with German, U.K. and Scandinavian markets. We present a quality room with more facilities to those customers

## TARGET CUSTOMERS OF SHERATON KRABI BEACH RESORT

**MAIN CUSTOMERS** are leisure travelers. These include tourists from Europe, Scandinavia, Australia, Germany, the U.S.A, Canada and India.

**MINOR CUSTOMERS** are the seminar groups and the companies that would like to arrange the meeting in wide outdoors.

## CHANNELS OF DISTRIBUTION OF SHERATON KRABI BEACH RESORT

Sheraton Krabi Beach Resort has established the following channels of distribution:

- Selling directly to companies and commercial establishments
- Selling through local travel agents and overseas tour operators in different regions of the world
- Selling via the internet
- Selling through leading airlines' systems
- Selling through press, advertisement and public relations
- Selling during tourism promotion events
- Selling through the hotel's network channels, i.e. those of the Starwood Hotel Group
- Improve and expand Chinese market to increase customer base and sales during Green Season.
- Improve and expand Indian wedding market.
- To keep the same target group and expand Australia market both high and low season.
- To increase the consistency of occupation, the hotel made a contract with Thomson Airways to have the crew stay at the hotel from November 2012 – March 2013.
- Improve and expand Russian and Korean markets



## COMPETITION FACING SHERATON KRABI BEACH RESORT

The hotel was affected by the water disasters around the world and resulted in tourists hesitated to travel to the seaside. While the guest room renovations were delayed, we could not receive some customer groups because the rooms were not enough. These reasons affect the operations not going well as they were planned. At the same time, the hotel industry in Krabi becomes more intense as there is a significant increase in the number of 4-5 star hotels. However, it does not have an impact on Sheraton Krabi Beach Resort, mainly because of its long-term competitive potential. The Hotel is using the brand name of the Starwood, international hotel operator which is well known worldwide for the quality and standards in terms of location and services. Importantly, the size of Sheraton Krabi Beach Resort is fairly large and is able to accommodate big groups of customers or many groups at the same time. Besides that the largest Indian movie production came to shoot a movie at the hotel, so the hotel has more Indian wedding market. In the meantime the hotel increases 6 Suite rooms to 12 Suite rooms which are 2 Pool Suite rooms for supporting a honeymoon market.

## INDUSTRY OUTLOOK AND COMPETITION FACING SHERATON KRABI BEACH RESORT IN THE FUTURE

The factors which impact to Sheraton Krabi Beach Resort's industry outlook and competitive in the future are as follows:

- █ Overall global economy results in the change of behavior of tourists which make less tourists travel overseas.
- █ Overall maritime disasters result in the behavior of tourists which are reluctant to travel by the sea.
- █ The numbers of flight schedules and flights flying to Krabi Province are inadequate and not in line with the number of visiting tourists or the number of guest rooms available in Krabi Province. The problems represent an obstacle to the number of guests staying in each hotel. However, it is expected that there will be direct charter flights from China to Krabi Province in 2013 and also includes the flights from Russia and Korea in the high season. A package for Russian market results in the number of tourists visiting Krabi Province and the number of guests staying at Sheraton Krabi Beach Resort will increase.
- █ The hotel makes an exposure by organizing a Tri-Marathon for the first year and will be held every year. Contestants from around the world will help to advertise the hotel as well.

## ACTIONS TAKEN BY SHERATON KRABI BEACH RESORT TO REDUCE THE IMPACT ON THE ENVIRONMENT

Sheraton Krabi Beach Resort has taken the following actions to reduce the impact on the environment.

1. Wastewater
  - 1.1 Put in place a wastewater treatment pond and a wastewater treatment system
  - 1.2 Monthly check the quality of water
  - 1.3 Use the treated water in maintaining gardens

2. Garbage
  - 2.1 Separation of wet and dry garbage as well as garbage that can be recycled
  - 2.2 A special room for keeping wet garbage at 15 degree Celsius
  - 2.3 A vehicle to pick up and dispose of the wet garbage daily
  - 2.4 Production of biofertilizes to reduce the quantity of garbage
3. Noise Pollution
  - 3.1 Appointing committee to work in environment and energy conservation.
  - 3.2 Sheraton Krabi Beach Resort received commemorative plaques for being an outstanding business operator at the provincial level in the areas of bio-sanitation and workplace environment in 2008, 2009 and 2011.

## TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL

Tinidee Hotel@Ranong (formerly Royal Princess Ranong Hotel) is located in Ranong Province and operated by Supsinthanee Company Limited (“SSTN”).The hotel offers an accommodation for 138 rooms with mineral water and also includes the banquet rooms, the seminar rooms, the restaurant, the fitness room, the body massage room, the foot massage room, the swimming pool and the mineral water pool.



Tinidee Inn Hotel was renovated from commercial buildings to make a budget room. The hotel has opened since April 2011 and has received a good response.

### MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

Tinidee Hotel@Ranong and Tinidee Inn Hotel had made many modifications, which are as follows:

1. Furniture improvements in rooms on the 6<sup>th</sup> and 7<sup>th</sup> floor with a budget THB 800,000.
2. A swimming pool renovation with a budget THB 650,000 started to renovate from March 1, 2012 and opened on July 5, 2012.
3. A restaurant is renovated with a budget THB 2 million. It opened at November 25, 2012 and has received a rather good response from customers
4. Installation air conditioners of Split Type Model with 100,000 BTUs at the restaurant and the conference rooms with a budget of THB 660,000, they are used besides the Chiller opening time and save in electricity costs. The installations was completed at December 1, 2012.
5. Tinidee Inn Hotel developed the hotel’s space to get an income by turning into Shinju Japanese Restaurant with a budget THB 450,000. The restaurant opened on December 20, 2012 and has received a rather good response from customers.



6. Tinidee Inn Hotel developed the hotel's space to get an income by turning into a souvenir shop with a budget 50,000 Baht and opened on December 1, 2012.
7. Marketing : Marketing plans of the group in 2012
  - 7.1. Optimizing the increasing use of Online media and Social media.
  - 7.2. A focus on the sales of catering, a conference room for a government sector such as 20 Ministries since Tinidee Ranong Hotel has a conference room which can accommodate up to 500-600 customers per time.
  - 7.3. A focus on offering for a room sale, a package tour and a conference for a private sector such as organizing an annual outing for a company including staff from Bangkok Province who visit their companies' branch in Ranong Province.
  - 7.4. A focus on advertising a sale to a health care customer, and a room and a party for a hospital group and a cosmetic business.
  - 7.5. A focus on advertising a sale in the domestic agent such as joining Hotel Meet Local Agents and Trade Show.
  - 7.6. Creating a promotional plan and sale-promotion plan periodically such as a tour program in Ranong Province by focusing on using a room and food and beverage services.
  - 7.7. Participation in an activity with the Association Domestic Travel, The Tourism Authority of Thailand and the Association of Thai Tour Operators for having Table Top Sales and promoting a sale and mobilizing a policy of generating revenue from tourism.
  - 7.8. A focus on offer a sale of a room and a conference room to a national security government sector in military and police groups.
  - 7.9. A focus on advertising periodically a sale in a neighborhood market such as Myanmar, Malaysia and other countries.

## TARGET CUSTOMERS OF TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL

### MAIN CUSTOMERS OF TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL INCLUDES

- The Government sector
- The company groups, store groups concerning with fishery business
- The foreign tourists with long term package tour in many provinces
- The healthy tourists
- The group of sales representatives in Ranong, Phuket and Chumporn.

## CHANNELS OF DISTRIBUTION OF TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL

- Selling directly to companies and commercial establishments
- Selling by distributing leaflets on special occasions which take place at different periods of the year
- Selling directly to government agencies including ministries, bureaus and various departments which have potential for using the hotel for their training activities and seminars as well as website operators
- Selling in tourism promotion events
- Selling via the internet
- Putting an advertisement billboard on Petchkasem Road, which is the main road to Ranong

## COMPETITION FACING

### ■ Tinidee Hotel@Ranong

Tinidee Hotel@Ranong is well known to both Thais and foreigners for its high quality service standards. It is a big hotel in Ranong Province, which is capable of accommodating a large number of seminar participants. Due to Myanmar's blocking territorial waters in July-September, the number of fish merchants, who are the hotel's major customer, decrease and also affects the hotel profits. In that time, many small hotels had been built as a result of this, the hotel has renovated the pool and all the conference rooms and also has changed an air conditioner to a Split Type model, which can control temperature and save the energy. The hotel has received a good response and after the hotel has received a concession to take care of Raksawarin Mineral Spring, the feedback is still in good shape.

### ■ Tinidee Inn Hotel

As Tinidee Hotel@Ranong has been acknowledged as having a standard and security, the newly open Tinidee Inn thus received good feedbacks from customers with limited budget. Moreover, the hotel has opened an OTOP shop, a RAMEN restaurant and a bubble tea shop inside Tinidee Inn Hotel which gets a good feedback.

## INDUSTRY OUTLOOK AND COMPETITION FACING TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL IN THE FUTURE

The tendencies of industrial in Ranong is growing in the future

- Knowing that mineral water in Ranong province is the best in Thailand and is one of the best three mineral water in the world.
- Knowing more about Payam Island which is the new popular tourist attraction.
- Expanding road to make it more convenience to travel and transportation.
- Expanding the harbour to increase opportunities in shipping goods from Andaman coast.
- A small airline reopen direct flight to ranong.
- A government policy promotes Health Destination which will benefit Ranong Province.

## THE COMPETITIVENESS OF TINIDEE RANONG HOTEL AND TINIDEE INN HOTEL

- At present there are many new small resort-styled hotels, which do not have a direct effect in terms of competition.
- There may be more direct effects on the competition in seminar and catering service in terms of the size of venue. The Hotel had adjusted its strategy by focusing on quality and service standard as well as a more conveniently-accessed parking space.
  - ▶ Focus on quality and services standard and convenient parking.
  - ▶ A meeting format is stylish and various.
  - ▶ A coffee shop is renovated to look clean and modern.
  - ▶ Opening an OTOP shop sells products which are 95% of consignment.
  - ▶ Opening a RAMEN restaurant and a bubble tea shop for the first time in Ranong Province.

## ACTIONS TAKEN BY TINIDEE HOTEL@RANONG AND TINIDEE INN HOTEL TO REDUCE THE IMPACT ON THE ENVIRONMENT

1. Wastewater
  - 1.1 Put in place a wastewater treatment pond
  - 1.2 Check the quality of water every quarter
  - 1.3 Use the treated water in maintaining gardens
2. Garbage
  - 2.1 Separation of wet and dry garbage as well as garbage that can be recycled
  - 2.2 Municipal vehicles to pick up and dispose of the garbage daily
3. Smoke produced by steam engines from burning fuels
  - 3.1 Maintain the steam engines annually
  - 3.2 Engineers regularly test and certify the efficiency of the burning process

In addition, the Hotel has taken the following measures aimed at preventing problems from affecting the environment in other areas.

1. Establish a special committee responsible for managing safety, bio-sanitation, and workplace environment.
2. Promote communication systems using emails in order to reduce paper use.



## TINIDEE HOTEL@PHUKET

Tinidee Hotel@Phuket is a 3-star hotel and located within the Loch Palm Golf Course in Phuket Province. The hotel is operated by MBK-HT which is only 20 minutes from Phuket International Airport and 15 minutes from Patong Beach. It is surrounded by beautiful scenery and fresh atmosphere and good security.

### MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

Tinidee Hotel@Phuket had made many modifications, which are as follows:

1. The construction of a new clubhouse with a budget of THB 25 million includes a fitness room, a massage room, a counter bar and a swimming pool. The construction starts on October 1, 2012 and will be finished in April 2013. The clubhouse is for customers to use a service to do an activity during they stay at the hotel.

2. Promotion marketing : offer special room rates to a group of a group of government officials more details as follows:

- VIP reception for a group of Royal Thai Navy pilots.
- Reception for a group of national youth athletes and a golf team.
- Reception for groups of teachers and students from Office of the Basic Education Commission, Ministry of Education to attend an OTOP fair from all over the country.
- Reception for groups of teachers and students from Office of the Non-Formal and Informal Education, Ministry of Education to attend a sport fair from all over the country.
- Reception for a group of staff from Thai Tourism Promotion Association to promote an annual golf tournament “THE TIN MINE TOURNAMENT”.
- Visit various government sectors in Phuket Province to introduce the hotel to be more known such as meet Phuket Province Governor, Mayor of Phuket Provincial Administration Organization, Mayor of Kathu Municipal District, Tourism Authority of Thailand Phuket Office, military and police units and also including Presidents of Chamber of Commerce and Chairman of the Federation of Provincial Industries in nearby provinces.

4. A tourism promotional booth

- Attend a fair which is organized by Thai Tourism Promotion Association and every tourism fair throughout the year.

5. Seminar groups and companies

In 2012 there is a presentation of a meeting and a staying in the hotel. 3 renowned insurance companies used the services and the hotel received a good feedback. It tends to increase in the next year as follows:

- Companies have a branch or a business in Phuket Province and headquarters in Bangkok, they send staff to work in the southern area. They come to use the hotel services more and more. Moreover, a group of leading companies use the golf and hotel services such as SCG, PTT, BMW, True Corporation, Thai Yamaha and Betagro

Group. It also increases the online marketing and international leading sale agent companies. Furthermore, it still improves more communication with customers via Social Media.

- █ Groups of travelling companies focus on advertising a sale in travelling groups in Asian markets such as China, Malaysia, Philippines, Singapore, Indonesia, Korea, Japan and Hong Kong which travel and play golf and also an attempt to expand to the other markets such as Europe and Russia.
- █ Participation in the project a card holder and other tourism promotional projects.
- █ A special offer to members of credit cards, banks and leading department stores in forms of discounts and privileges.
- █ Participation in a tourism promotional project such as Andamansukjai project and Amazing Thailand drive and travel throughout Thailand.
- █ Promotion of culture in a community by presenting the museum of minerals of Krathu District.
- █ A promotional package includes a package with the Loch Palm Golf Course and the Red Mountain Golf Course which has received a good response. A development of customer relation system creates a customer database and sends marketing news to customers.

## TARGET CUSTOMERS OF TINIDEE HOTEL@PHUKET

**MAIN CUSTOMERS** are employees from companies, shops and travel agencies and golfers from local and overseas.

**MINOR CUSTOMERS** are employees from government agencies, state enterprises, independent organizations and customers who make direct reservations through websites of online agencies.

## CHANNELS OF DISTRIBUTION OF TINIDEE HOTEL@PHUKET

Tinidee Hotel@Phuket has the following sales channels:

- █ Direct sales to companies and shops.
- █ Via travel agencies in Thailand and worldwide.
- █ Via electronic media or websites.
- █ Via top airlines.
- █ Via press advertisement and public relations.
- █ In tourism events and exhibitions
- █ Via network Hotels in MBK-HT group
- █ Attached to golf packages
- █ Via Golf Agents

## COMPETITIVENESS OF TINIDEE HOTEL@PHUKET

At present customers tend to make a reservation online. Travel agencies are less popular. Customers can find and choose hotel with a reasonable price. Hotels then aim to offer more attractive prices on their website and a competitive sale mainly emphasizes on online promotions online. Mostly, customers still prefer seaside hotels. Buildings being renovated into hotels and guest rooms increased significantly in Pathong area. Commercial buildings became budget hotels and offer services and facilities at the same level of 3-5 star hotels such as Wi-Fi internet, hotel pickups and transportation service at a special price. The hotel must target in a customer who like to play golf or a tour group taking a trip all day and staying overnight at the hotel.

## FUTURE TREND AND COMPETITION OF TINIDEE HOTEL@PHUKET

Real estate business in this province has grown considerably. More foreigners like to buy real estate and rent out, especially private villa-styled houses and condominium, which is cheaper than normal hotels. This affect the number of guests staying at hotels. As a result, Tinidee Hotel@Phuket invested THB 20 Million to build a club house that consists of swimming pool, fitness center and spa.

## ACTIONS TAKEN BY TINIDEE HOTEL@PHUKET TO REDUCE THE IMPACT ON THE ENVIRONMENT

1. Wastewater
  - 1.1 Put in place a wastewater treatment pond and a wastewater treatment system
  - 1.2 Check the quality of water every quarter
  - 1.3 Use the treated water in maintaining gardens
2. Garbage
  - 2.1 Separation of wet and dry garbage as well as garbage that can be recycled
  - 2.2 A vehicle to pick up and dispose of the wet garbage daily
  - 2.3 Promote communication systems using emails in order to reduce paper use.

## LAYANA RESORT AND SPA

Layana Resort and Spa is operated by MBK Hotels and Tourism Company Limited (MBK-HT). The hotel is located on Phra Ae Beach, Koh Lanta Island, Krabi Province and it is on an area of 17 rai. Layana Resort and Spa is a 5-star boutique seaside resort surrounding by tropical greenery nature and panoramic views of the mountains and the sea can be seen. It consists of 50 Garden Pavilion, Beach Suite, Ocean Deluxe Suite rooms which have an applied Thai design using wood materials and beautiful Thai silks. It also offers a service an International restaurant, various Thai cuisines and special selected seafood. The hotel provides many facilities such as a library, a seminar room, a swimming pool, Wi-Fi and several activities for relaxation : a spa, a healthcare center and a fitness center. Customers can have fun with sporting activities like mountain biking, kayaking and scuba diving.



## MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

Layana Resort and Spa had made many modifications, which are as follows:

1. A soft renovation with a budget of THB 12.85 million. The rest of 4 Suite rooms from the 2011 room renovation project were finished on July 15, 2012.
2. A spa and La Maison renovation with a budget of THB 19 million, both of them have been renovated since September 16, 2012. The spa opened for the business on December 21, 2012 while La Maison is still continually under renovation to 2013.

3. A sand bar decoration, which consists of bamboo fences, a counter bar and a multi-purpose pavilion with a budget of THB 920,000, is under construction.

4. Guest rooms' roofs renovation: Roofs are changed to Cedar Model wooden roofs with a budget of THB 1.50 million. The installation was completed in October 2012.

5. Marketing : Marketing plans of the group in 2012

5.1 A promotion of Australian market has been increasingly created to extend an occupancy rate in the low season and has a package with Pathumwan Princess Hotel which is the well-known hotel in Australian market.

5.2 A purchasing system through Group Buying such as Travelzoo and Groupon of each country creates brand awareness and attracts customers to stay at the hotel in the low season.

5.3 Signing more contracts with Asian travel agencies such as Singapore and Hong Kong increases an occupancy rate in the low season.

5.4 Becoming a member of Conde Nast Johansens spa to enhance the appearance of the resort and spa.

5.5 More participation more in a domestic and foreign Trade Show such as Thailand Travel Show at Queen Sirikit National Convention Center, Muang Thong Thani and having a Trade Show booth with Pathumwan Princess Hotel.

5.7 Creating an e-newsletter and having a continual management of customer information.

5.8 Updating a Social Media more often such as Facebook and Twitter.

5.9 German and English markets customer retention as No.1 and maintaining standards of services result in receiving several awards such as TripAdvisor, World Travel Award and World Luxury Hotel Awards.

5.10 Improve a website and update the hotel's photos to look more modern and to use the hotel services.

## TARGET CUSTOMERS OF LAYANA RESORT AND SPA

■ **MAIN CUSTOMERS** are from England, Germany and European countries, who are likely to come during the high season (November – April). The main target group includes honeymooners, retirees and adults. The hotel does not have a policy to accept the guests under 18 years old.

■ **MINOR CUSTOMERS** are from Australia and Asian countries who make a reservation online. They will come to stay during the low season (May – October).

## CHANNEL OF DISTRIBUTION OF LAYANA RESORT AND SPA

■ Selling through tour agents

■ Do a direct sale to Resorts

■ Selling via the internet

■ Selling through agents in other countries such as Australia, England, German or through Social Media.

## COMPETITIVE OF LAYANA RESORT AND SPA

Due to the fact that the Hotel had clearly made the goal of the target group such as not accepting customers whose age is below 18 to be able to emphasize on the target group that comes for a honey moon or the elderly that need peaceful and quiet environment as well as the privacy, therefore the hotel is the lead on Koh Lanta Island and in 2012 the hotel received 5 awards including 2012 Best Beach Hotel, Winner 2012 World Luxury Suite Hotel, Asia's Leading Spa Resort, Asia's Leading Boutique Beach Resort, Certificate of Excellence for The year of 2012 .

## INDUSTRY OUTLOOK AND FUTURE COMPETITION OF LAYANA RESORT AND SPA

Due to the fact that the hotel in Krabi Province has few customers in May to September, it is important to increase customers that will book rooms during low season such as customer from Australia, by using Pathumwan Princess Hotel which is quite well known in Australia market to lead and may increase Honey Moon customers from Korea and Japan. Although research

must be made on the limitation of the flight to Krabi, as there is no flight that will flew from Austrlia to Krabi. Australia's customers view that it is inconvenience so Layana Resort and Spa needs time to promote the Destination of Koh Lanta as the main

## REDUCING THE IMPACT ON THE ENVIRONMENT.

Layana Resort and Spa has been working to reduce the impact on the environment as follows:

1. Water Management
  - 1.1 The hotel has a wastewater treatment before it is released back to the environment.
  - 1.2 The wastewater from staff residence area is under the process of the wastewater treatment and it is used to water trees around the hotel.
  - 1.3 The hotel uses a refilling drinking water tank.
2. Waste management
  - 2.1 There is a campaign with the office to use reused papers.
3. Energy management
  - 3.1 The hotel has regulations for purchasing products and materials with environmental and safety certifications such as No.5 Energy Saving Label.
  - 3.2 The hotel has regulations for purchasing seasonal fruits and vegetables to reduce toxic contamination.
  - 3.3 The hotel uses renewable energy for inside and outside transportation to reduce the impact on the environment and reduce a global warming such as a bicycle.
  - 3.4 The hotel has an electricity consumption report and publicize to all staff for encouraging them to participate in the hotel's saving energy.
  - 3.5 The hotel uses an energy-saving bulb to reduce a global warming and save energy.
  - 3.6 The hotel has an automatic light control switch to reduce an energy loss.
  - 3.7 The hotel controls over starting a car engine while waiting in the hotel to reduce the loss of fuel.
4. Environmental management outside the hotel
  - 4.1 Encourage staff to take care of the beach in front of the hotel, which is a public area, and always keep it clean.
  - 4.2 The hotel is a part of the environmental campaign with Tourism Authority of Thailand.

## TOURISM BUSINESS

Air tickets, hotel reservation, and car rental services are operated by Absolute Travel Company Limited ("ALT") while local and overseas tour services, conferences, local and overseas Premier League tickets and Visa services are operated by MBK Leisure Company Limited ("MBK-LS"). The MBK-LS is operated by MBK Hotels and Tourism Company Limited which has opened since September 1999.



## CUSTOMERS OF THE TOURISM INDUSTRY

### MAIN CUSTOMERS :

- An affiliate
- A company with an incentive program by giving a travel reward to its customers
- A government sector
- A company

## DISTRIBUTION CHANNELS OF BY ABSOLUTE TRAVEL COMPANY LIMITED AND MBK LEISURE COMPANY LIMITED

- Selling directly to a company or a shop
- Selling through electronic media or a website
- Selling through a network of MBK Hotels and Tourism Company Limited

## COMPETITIVE CONDITIONS BETWEEN ABSOLUTE TRAVEL COMPANY LIMITED AND MBK LEISURE COMPANY LIMITED

Now there are many travel agencies which result in the high competitive prices. Absolute Travel Company Limited and MBK Leisure Company Limited target at VIP customers from a tailor-made tour more than an instant package tour. In the mean time, the companies emphasize on an inbound business which an affiliate is an owner of a business such as a hotel, a spa, a golf course and a restaurant by focusing on trustworthy services and safety with a professional guide.

## GOLF BUSINESS

The golf business is operated by MBK Resort Public Company Limited (“MBK-R”) and Riverdale Golf and Country Club Company Limited (“RDGCC”). The detail of business is as follows:

The golf business in Phuket Province is operated by MBK Resort Public Company Limited (“MBK-R”), an indirect subsidiary which MBK holds 72.61%. MBK-R has two golf courses which are currently operating open for golfe business. These include Both of the Loch Palm Golf Course (“LPGC”) and the Red Mountain Golf Course (“RMGC”) is located in Kathu District, Phuket Province.

LPGC has opened since 1993 and MBK Group has operated it from 2002 until now. RMGC was developed and built by MBK-R and it was officially opened in 2008.

LPGC is a standard golf course with 18 holes, par 72, on an area of about 500 rai. It has been specially designed, taking into consideration the unique characteristics of its landscape. These include a large lake and a long line of fresh green palm trees which are the main elements of the golf course. For the convenience of golfers who need a warm-up before playing a round, there is a driving range located in the same area.





RMGC is MBK-R's second golf. It is a new standard golf course with 18 holes, par 72 on an area of over 600 rai which is adjacent to the LPGC golf course. The new clubhouse equipped with full amenities is located at the foot of the hill where golfers can have a clear view of the whole landscapes. In addition, it provides golfers with golf driving ranges and other facilities including putting greens for practicing, which are well maintained and look like the real ones. The driving ranges and available facilities enable golfers to enjoy the game more than before.

The golf business in Pathum Thani Province is operated by Riverdale Golf and Country Club Company Limited ("RDGCC"), with a golf course that has been open since June 2010 called 'the Riverdale Golf and Country Club' (RDGC). Located in Bang Kradi District, Pathumthani Province, it is a standard golf course with 18 holes, par 72, on an area of about 346 rai. The golf course has been specially designed, based the concept of a golf course in the valleys. To achieve such an impressive landscape, it is necessary to dig over 10 meters down into the earth. The purpose is make the golfers feel that they are playing golf in the valleys. The design also includes creation of hills in order to make the game more challenging for the golfers. As regards the club house, it incorporates modern design features and is equipped with a full range of amenities. Looking from the club house, the golfers will enjoy a beautiful panoramic view of the whole golf course as if they looked down from the top of a mountain. It also has driving ranges for golfers and a putting green which is maintained as well as real golf course in order to practice and get prepared before playing.

In 2012 the golf business renewed the reciprocal agreement with leading golf courses in foreign countries and made a new agreement with several golf courses. The new agreement causes MBK Group's golf business to reciprocal with different 15 golf courses as follows:

1. The Singapore Island Country Club, Singapore
2. Tanah Merah Country Club, Singapore
3. Macau Golf & Country Club, Macau
4. Bintan Lagoon Resort, Bintan Island, Indonesia
5. The Empire Hotel & Country Club, Brunei
6. The Royal Selangor Golf Club, Kuala Lumpur, Malaysia
7. Montgomerie Links, Quang Nam, Vietnam
8. Southern Highlands Golf Club, Las Vegas, Nevada, USA
9. The Golf Club at Southshore, Las Vegas, Nevada, USA
10. Royal Hawaiian Golf Club, Kailua, Hawaii, USA
11. Makaha Golf Club West, Waianae, Hawaii, USA
12. Makaha Valley Country Club (East), Waianae, Hawaii, USA
13. Kapolei Golf Course, Kapolei, Hawaii, USA
14. Pete Dye Golf Club, Bridgeport, West Virginia, USA
15. The 27 Club, Tianjin, China

Being their business alliance has resulted in an increase in revenue from members of golf reciprocal under the provisions of a reciprocal agreement. Furthermore, the members also receive the privileges from our business alliances. We have planed to further expand the number of international alliances in order to increase the number of golfers visiting the course.

For launching the golf business the distribution channels of golf business is divided into such course as follows:

## **LPGC GOLF COURSE AND RMGC GOLF COURSE HAS DISTRIBUTION CHANNELS WHICH DIVIDE BY CUSTOMER GROUP INTO TWO CATEGORIES AS FOLLOWS:**

### **█ OVERSEAS CUSTOMERS**

Asian, European and Australian tourists who are the majority of the Loch Palm Golf Club (LPGC) and the Red Mountain Golf Club (RMGC)'s customers. The distribution channels are as follows:

- ▶ Through tour agents of LPGC and RMGC, both in Thailand and foreign countries such as Singapore, Malaysia.
- ▶ Through online media such as websites and e-mail

- ▶ Through leading hotels in Phuket
- ▶ Members of golf partnership under the provisions of a reciprocal agreement
- ▶ Other affiliated companies from other businesses that share their customer database in order to expand their customer base

#### **[ DOMESTIC CUSTOMERS**

Most domestic customer target groups consist of residents of Phuket and adjacent provinces as well as domestic tourists who are members and non-members visiting the golf courses on their own. There are six types of membership as follows:

- ▶ Permanent individual membership (only at LPGC golf course)
- ▶ Permanent corporate membership (only at LPGC golf course)
- ▶ Annual membership for local residents (only at LPGC golf course)
- ▶ Annual membership for civil servants (only at LPGC golf course)
- ▶ 30 years membership who are ownership of houses within LPGC and RMGC project
- ▶ One-year and two-year short-term membership (only at RMGC golf course)

Moreover the Golf Course can support the competition of the associations, the companies or the institutes which arrange to race the golf.

### **THE DISTRIBUTION CHANNELS OF RDGC ARE SIMILAR TO THOSE OF LPGC AND RMGC. THERE ARE TWO TYPES AS FOLLOWS:**

#### **[ OVERSEA CUSTOMERS**

The majority of RDGC's customers are Asian and Australian tourists which use the following distribution channels;

- ▶ Travel agencies of RDGC
- ▶ Through online media such as websites or e-mail
- ▶ Members of golf partnership under the provisions of a reciprocal agreement
- ▶ Other affiliated companies from other businesses that share their customer database in order to expand their customer base.

#### **[ DOMESTIC CUSTOMERS**

Most of them are from Bangkok and Perimeter, foreigners working in Thailand who are the members of Riverdale Golf Club card, offering the special discount for a card-carrying member, and walk-in customers. Moreover, there are customers who book tee-time scheduled all day long for competition that cause an income for RDGC by 10 percent of the total green fee

As well, both LPGC, RMGC and RDGC occasionally organize seasonal promotion activities and tournaments for associations and clubs in general.

Golf Business our future goal is to become a leader in quality golf course at the same level as famous international golf courses and improve service standards; for example, providing high quality service and good taste, providing customers with the attentive and friendly staff.

### **MARKET CONDITION AND THE COMPETITION IN GOLF COURSE BUSINESS**

#### **[ PHUKET**

In 2012 the competitive condition in the business was intense. Even though now it was the duration when the increasingly large number of tourists visited Thailand, the number compared to 2012, particularly Chinese and Russian. Golfer chose to come to Thailand to use the service with slightly low rate. Although there was an intensely competitive price in both offering a discount to those golfers and giving the discounted selling price to agents in Phuket Province. In addition, the agents competed with one another in cutting prices, allowing foreign customers, who bring in the main revenues for the golf courses in Phuket, to



use services from the direct agents of the golf courses. However, MBK Resort Public Company Limited (MBK-R) still maintained 30 percent of golfers market share in Phuket Province.

LPGC and RMGC have an advantage over their competitors in the same area related to their locations that close to downtown and Patong Beach, the major tourist attraction in Phuket Province. In addition, both golf courses are large in which have potential to develop the additional facilities. These have caused the golf courses to be innovative and beautiful all the time, plus the natural scenery. In 2012, LPGC had thoroughly achieved high level of booking. It is shown that LPGC is always popular.

RMGC has received a great response from both foreign and domestic golfers due to the design of the challenge golf course, beautiful landscapes, maintaining the golf course in good condition regularly and fully equipped with all the amenities. All these factors led RMGC to become the top golf courses of Thailand within a short time. Also, foreigners accept that RMGC is one of the best golf courses as the golf courses which had been held a global golf tournament and they have to play golf at RMGC when they travel to Phuket Province.

#### ■ BANGKOK AND SURROUNDING PROVINCES

RDGC, opened since June 2010, is located in the area of its competitors, it has received a great response from golfers. Unlike its competitors, there is the outstanding design of the golf course, easy to reach the place that takes a few minutes from the city, as well as the perfection and challenge of its golf course. These make golfers want to test themselves on the new golf course and are attracted them to come back again.

### INDUSTRY OUTLOOK AND THE FUTURE COMPETITION IN THE GOLF BUSINESS

#### ■ PHUKET

Both MBK-R's golf courses place emphasis on tourist customers who are their major customers. As a result, Industry Outlook and the Future Competition in the Golf Business are dependent upon external factors and effects, such as the world economy, wars, plagues, natural disasters, political problems etc.

For future competitors, due to the fact that the average price of lands in Phuket Province is very high, the number of new golf courses has remained stagnant in the near future. Hence, their competitors are still the same golf courses in Phuket Province as before, the tendency of golf business in the identical location of both MBK-R in the future is unexpected to be intense in terms of available golf courses. Although each year tourist numbers visiting Phuket Province increase in a low rate, there was an intensely competitive price to increase market share. Customers of travel agencies and travel operators were 35 percent of LPGC and 50 percent of RMGC. MBK-R not only used reformulation strategies but also described terms and conditions between their business and their agents that resulted in providing their agents with the alternative ways of business cooperation with MBK-R in the long term.

## **█ BANGKOK AND SURROUNDING PROVINCES**

The RDGC's target customers are Thai and foreigner operated their business and working in Thailand, since it is located near the city center. Besides, a group of tourists who come to play golf and a group of customers who book tee-time scheduled for competition are potential customer groups in increasing a RDGC's income in the future. The industry trend and the future competition of RDGC mainly depend on domestic factors and effects, such as the economic conditions of the country and political issues.

In the future there will be new golf courses open in the nearby area. Existing golf courses will also improve and add more holes. There are already competitors in the area, making the market highly competitive. However, RDGC is still competitive for its outstanding design, easy access and good service. There is also a marketing plan to increase sale channels through tour and travel agencies. The course will work with its allied courses in expanding the market. In 2011 many golf courses had been affected by the flood and could not open. However, RDGC was unaffected by the flood and remained open as usual. It was an opportunity to increase the market share rapidly earlier in the year and expand the regular customer database. Now the customer database is more than 10,000 people, which preserves market share and can expand the customer base more rapidly.

## **THE IMPACT OF GOLF BUSINESS OPERATIONS ON THE ENVIRONMENT**

The Golf business manages to reduce environmental impacts, i.e., business operations may affect the environment in the vicinity of golf course. Due to maintain their golf courses to be always in perfect and beautiful condition, the course needs to be fertilized and added chemical substance regularly. Nevertheless, LPGC, RMGC, and RDGC have realized the impact on the environment as mentioned above. We have set the policy that reduces the use of fertilizers and chemical substance in maintaining the golf courses and tries to use the organic fertilizers and natural alternative instead. The annual examination of water quality in golf course ponds or water sources in our golf courses shows that pond water has the same water quality standards as water supply.

## **REAL ESTATE BUSINESS**

The real estate business is operated by Plan Estate Company Limited ("PST") and its subsidiary, the subsidiaries of MBK. Their primary businesses includes:

1. Property development for sale business
2. Property management business
3. Asset appraisal and advisory service business

## **SIGNIFICANT CHANGES AND DEVELOPMENT OF THE PREVIOUS YEAR**

In 2012, PST had operated significant real estate development business, which are as follows:

Projects in Phuket are as follows: Sabai Village 1, Sabai Village 2 and The Indy phase 2 project. These projects target of both Thai and Foreigner customers that desire to live in the city and community area suitable for the middle class income.

### **1. PROPERTY DEVELOPMENT FOR SALE BUSINESS**

Property development for sale business is operated by PST. PST develops vacant land for sale with focus given to construction of detached houses for residential purpose. They are divided into two types including pre-built houses or built-to-order houses.

### **TARGET MARKET OF PROPERTY DEVELOPMENT FOR SALE BUSINESS**

1. First home buyers with upper-middle income level and above who need houses located in the Central Business District (CBD) or community areas.
2. Home buyers with high income who need second homes in the provinces for leisure purpose.
3. Investors who buy houses for the purpose of renting them out.

## DISTRIBUTION CHANNELS OF PROPERTY DEVELOPMENT FOR SALE BUSINESS

The distribution channels of PST's property development for sale business consists of the following:

1. Through PST's direct sales teams.
2. Through sales agents.
3. Through a mixed combination of advertising, public relations activities as well as promotion campaigns aimed at creating and expanding channels of distribution and at disseminating information to prospective customers and convincing them on the worthiness of the offered products.

## COMPETITION IN PROPERTY DEVELOPMENT FOR SALE BUSINESS

In 2012, property development for sales business was growing as a result of the big flood in late 2011. At the same time, many business operators expanded their businesses to regional markets in tourism cities such as Chiang Mai, Pattaya, Hua Hin, Cha-Am, Kao Yai, and Phuket. It is expected that in 2013 the business expansion will cover the growing economic towns such as Khon Kaen, Udonthani, Nakhonratchasima, Rayong, and Chonburi. PST, therefore, has planned to develop real estate for sales in Phuket because of its potential from the continuous growth in economy and tourism. Moreover, PST employs marketing strategies to reach new customers with high purchasing power. PST has experience and expertise in the real estate development with the strength in beautiful design and uniqueness that enables PST to meet clients' demands.

## INDUSTRY OUTLOOK AND FUTURE COMPETITION OF PROPERTY DEVELOPMENT FOR SALE BUSINESS

It is forecast that in 2013 investment and new housing projects in Bangkok and municipal areas will grow by 5-10%. According to the survey of real estate development companies regarding their investment plans in 2013, business developers were more careful in purchasing properties in different locations while the flood in 2011 became an important deciding factor. New residential projects will lean towards condominiums to respond to the demands of consumers that want a second house that will not be affected by flood. It is also found that the real demand market is middle class people with incomes ranging from 20,000 – 60,000 Baht. This is a big market that consists of people with average income and high purchasing power, who prefer simply and convenient lifestyle.

As regards Phuket Province, demand for housing continues to grow. It is expected that demand for housing in the middle and low income markets remains strong. On the other hand, majority of the customers of the housing projects with unit prices ranging from middle to high levels are still foreigners who operate businesses or work in Phuket or surrounding provinces. Demand for these housing projects gets weaker as a result of domestic political unrest as well as the slowdown in US and EU economies. However, competition among housing projects around golf courses is not intense. This augurs well for PST's real estate development projects in the future.





## 2. PROPERTY MANAGEMENT BUSINESS

Property management business is operated by PST. It is engaged in the business of managing properties as follows:

1. To look after and maintain the properties under its management, making sure that they are in good conditions and ready for sale.
2. To service including improvement, renovations of the properties.
3. Coordination with financial institutions in applying for loans for the buyers of the properties.
4. To act as a sales agent of financial institutions for their foreclosed properties.

At the present PST have more roles in operating real estate business by giving services in management and managing real estate efficiently both in continuously developing project, property maintenances, marketing and selling to increases the real estate value that are in the Company care. Projects and community that the Company had managed are as follows: Baan Suan Phuttamonthon Sai 1, Baan Suan Cha-am Beach, Glas Haus Building (Sukhumvit), Glas Haus Building Ratchada and MBK Tower Building.

### TARGET MARKET OF PROPERTY MANAGEMENT BUSINESS

**THE TARGET MARKET** Most of PST's customers are those of financial institutions.

**TARGET GROUPS** of PST consist of the following:

1. Members of the general public who purchase the properties for residential purpose or for their own use.
2. Retail investors who purchase the properties and renting them out for a return.
3. Retail investors who purchase the properties for the purpose of renovating them and re-selling them to others.
4. Big-scale investors who purchase the properties for further development.
5. Debtors who are entitled to buy back the foreclosed properties.

### DISTRIBUTION CHANNELS OF PROPERTY MANAGEMENT BUSINESS

The distribution channels of PST's property management business consists of the following:

1. Through PST's sales teams.
2. Through auction activities.
3. Through media such as magazines, printed materials, PST's website, brochures or leaflets.
4. Through real estate brokers.
5. Through establishment of portfolios of properties to be offered to investors.
6. Through cooperation with financial institutions and banks in setting up booths to promote sales and give information about the properties to prospective buyers of new and second-hand houses.

## COMPETITION IN PROPERTY MANAGEMENT BUSINESS

PST's potential in property management business is stronger than those of its competitors as it maintains the properties under its management in good condition. In addition, its services include negotiation with those trespassing on the property foreclosed by the financial institutions, which is the main problem encountered by the financial institutions.

As regards the project management business, PST started this business in 2006. The business is highly competitive with many operators. However, as PST has adopted an effective strategic plan, it is confident that the business will generate a good return.

## INDUSTRY OUTLOOK AND FUTURE COMPETITION OF PROPERTY MANAGEMENT BUSINESS

The growth of the second-hand property market is expected to be higher than in 2012, mainly due to the following factors:

1. The prices of new houses remain high because of the higher construction costs.
2. Increase in the appraised value of properties.

In view of the above situations, the competition is expected to remain intense. Both financial institutions and brokers in the private sector need to improve its marketing strategies and the quality of their services. As well, they should continuously organize sales promotion activities.

### 3. ASSET APPRAISAL AND ADVISORY SERVICE BUSINESS

The business is operated by Plan Appraisal Company Limited ("PAS"), available in the follows:

1. Appraising the value of residential properties for projects.
2. Appraising the value of assets in general, such as house, apartment, and hotel.
3. Giving advice on valuation and use of properties, taking into account the legal constraints.
4. Conduct feasibility studies of property development projects.
5. Giving opinions on the management of foreclosed properties for sale.

## TARGET MARKET OF ASSET APPRAISAL AND ADVISORY SERVICE BUSINESS

1. Financial institutions.
2. Property development operators or real estate developers.
3. Members of the general public.

## DISTRIBUTION CHANNELS OF ASSET APPRAISAL AND ADVISORY SERVICE BUSINESS

PAS has two main distribution channels for its asset valuation and advisory business as follows:

1. For financial institutions, PAS will offer its services directly to their property valuation department or collateral office.
2. For property development operators or real estate developers, PAS will offer its services through websites and through its letter of introduction.

## INDUSTRY OUTLOOK AND FUTURE COMPETITION OF ASSET APPRAISAL AND ADVISORY SERVICE BUSINESS

The growth of the asset appraisal and advisory business varies in line with the economic growth. On the part of banks, they are expected to accelerate the expansion of their lending activities in the areas including home loans and loans for small- and medium sized enterprises. This should have a positive impact on the future expansion of the market for the asset appraisal and advisory service business. In addition, state agencies have adopted measures aimed at promoting transparency in asset valuation by encouraging the property development business to make use of independent and professional asset appraisers. These developments should lead to a higher growth rate of the country's asset appraisal and advisory service business. It augurs well for the business of PAS.

## ACTIONS TAKEN BY THE PROPERTY DEVELOPMENT BUSINESS TO REDUCE THE IMPACT ON THE ENVIRONMENT

Actions to reduce the impact on the environment are mainly concerned with the property development business operated by PST. The company is required to take actions to reduce the impact of all of its projects on the environment. This is in compliance with the requirements imposed by the Environmental Impact Evaluation Bureau (EIEB) under the Office of Natural Resources and Environmental Policy and Planning (ONEP). For each of its property development projects, PST is required to conduct an Environmental Impact Assessment (EIA) before the construction.

As regards the foreclose properties for sale and the management of other property development projects, PST also continuously complies with the standard requirements imposed on those properties.

## RICE BUSINESS

The rice business is operated by Patum Rice Mill and Granary Public Company Limited (“PRG”) and its subsidiary. Their main business includes producing and selling rice both in the local and overseas markets. The details about their rice products and distribution channels are as follows:

## PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (“PRG”)

### MAIN PRODUCTS

Under the particular trademark, “Mahboonkrong Rice”, “Mahboonkrong Plus” and “Jasmine Gold Rice”, there are 5 sizes of Polythelene Rice Bags: 200 gram, 450 gram, 1 kilogram and 5 kilogram as well as 4 sizes of Polypropylene Rice Bags: 15 kilogram, 48 kilogram, 49 kilogram and 50 kilogram. Also, the types of the rice are indicated as followed:

- Jasmine rice 100% (red bag) jasmine rice 100%, new rice is the rice that won plates of award for the production of quality packaged rice for five years in a row and it is the first and only Company in Thailand that has been awarded the special standard certificate by the Department of Internal Trade, the Ministry of Commerce. This can assure that every bag of Mahboonkrong Jasmine Rice will always hold the standards, this come in the package size of 5 and 15 kilograms
- Jasmine rice 100% (green bag) consisted of 100% old jasmine rice comes in the package size of 5, 15, 45 and 49 kilograms.
- Jasmine rice 5% consisted of whole grain jasmine rice 95% and broken jasmine rice 5% comes in the package size of 5 kilograms.
- Jasmine rice 10% consisted of whole grain jasmine rice 90% and broken jasmine rice 10%, package size 5, 15, 48 and 49 kilograms.
- Homtip Rice is a mixture of 70% of 100% jasmine rice and white 30% of 100% white rice. Package size of Homtip Rice (yellow) 5 kilograms, Homtip Rice (pink) 5 kilograms, Homtip Rice (orange sack) size 15, 48 and 49 kilograms.
- Hompatum Rice 100% is the aromatic rice that developed its species from Jasmine rice. The package size are Hompatum rice (orange) 5 kilograms and Hompatum rice (green) 5 kilograms.
- White rice 100% (blue) 5 kilograms and Ruangkaew rice (blue) 5 kilograms.
- White Rice (soahai) 100% consisted of white rice 100% (blue sack) package size 15, 48 and 49 kilograms.
- White rice 15% (brown) package size 5 kilograms and Ruangtip rice (purple) package size 5 kilograms.
- Jasmine rice 100% Jasmine Gold is extra quality jasmine rice packed in a vacuum bag with the package size of 2 kilograms.
- Homnoppakhun Brown rice is 100% brown jasmine rice that is packed in vacuum bag with the package size of 2 kilograms.





- Mahboonkrong Plus is Thai jasmine rice with nutritive value from vegetables and grains and no additives. Four types of Mahboonkrong Plus are as follows:
  - Grains rice consist of sunflower seed, black sesame and pumpkin, package size is 450 grams.
  - Garlic rice with Chinese mushroom consist of garlic, Chinese mushroom and carrot, package size is 450 grams.
  - Five Color rice consist of corn, carrot, taro and green pea, package size is 450 grams.
  - GABA rice (Germinated brown rice), Nutra Gabarice is 100% brown jasmine rice which goes through natural process to add more nutritive value which are fiber, vitamin, magnesium and antioxidant such as GABA that gives 30 times more nutrition than normal brown rice, which is healthy to the body and help prevent disease such as cancer, diabetes, Alzheimer, decrease stress and feel relaxed. The package size is 450 grams.

## BY-PRODUCTS

**BROKEN RICE CAME** from rice that were broken due to the improvement of the quality of rice that were mostly use in mixing with export rice to get the quality aimed. Moreover, short broken rice is sold to Animal Feed Manufacturers to produce animal food.

## PRG SUBSIDIARY

**PRG GRANARY COMPANY LIMITED (“PRG-G”)** (PRG holds 99.99% of its paid-up capital)

PRG-G’s warehouse business offers property renting services for PRG itself and other companies. In regard to property renting, every kind of properties near PRG such as land, warehouse and PRG-G pier are provided under 1 year contract, charged according to the amount of maintenance and area space.

**RATCHASIMA RICE COMPANY LIMITED (“RSR”)** (PRG holds 99.99% of its paid-up capital)

RSR was established on 2nd June 1997, approved and promoted by Board of Investment (BOI) to hand over the best quality selection of rice from PRG. The Company is the manufacturer and distributor of milled rice that is packed in 2 kilograms and 5 kilograms bag for local market under “Mah Boonkrong” trademark.

Approved on 24<sup>th</sup> February 2006, RSR abolished investment promotion and allowed other rice companies to rent the factory for 1 year. However, PRG is the major tenant who presently proceeds with Rice Quality Operation on a purpose to develop packaging for domestic and international market. Besides, RSR is running Rice business for PRG and other customers.

**SIMPAC COMPANY LIMITED (“SMP”)** (PRG holds 49.99% of its paid-up capital)

SMP was approved and promoted by Board of Investment (BOI) and on 27<sup>th</sup> August 1997 there is a resolution approving domestic promotion type 6.12 manufacturing plastic product or coated with plastic and on 22<sup>nd</sup> November 2006 SMP was approved by Board of Investment to promote investment in manufacturing prints from plastic film business type 6.14 Prints Manufacturing business. The Company is the manufacturer and the distributor of milled rice bags for PRG.

SMP had worked on packaging business development by investing on purchasing 8 colors Gravure printing machine, bag making machine and grinder and cutter machine to support in manufacturing varieties of packaging for the market which consumer demand.

**INNO FOOD THAILAND COMPANY LIMITED** (PRG holds 37.50% of its paid-up capital)

INF manufactures and distributes rice for health. At present the Company manufactures and distributes germinated brown jasmine rice to strengthen health, Nutra GABA Rice, rice bran oil and organic rice Germ in capsule, under “Mahboonkrong Plus” and rice bran oil of non-organic rice, under “INNO FOOD”. And other types of rice for health such as Riceberry or Four color Rice trademarks.

## MAJOR CHANGES AND DEVELOPMENTS IN THE PAST YEAR

PRG has changed its operation by stopping the production in many businesses and focuses on the marketing, selling and promoting brand image of the rice products under the brands “Mahboonkrong” and “Mahboonkrong Plus” for both domestic and overseas market. In 2013, PRG has stilled its sales operation by having clear separated domestic sales channels while the overseas sales will also be divided into separated zones according to different regions in the world.

### Domestic Sales have 3 separated channels

1. Modern Trade Channel includes all modern retailers such as Tesco Lotus, Macro, Big C, Tops, and Max Value etc.
2. General wholesale and retail channel include wholesale shops and grocery stores across the country.
3. Direct sales channel include hotels, hospitals, restaurants and factories.

PRG also has 2 new distribution centers in Suratthani and Songkhla to cover more distribution area.

**Overseas Sales has 4 sale zones.**

1. Europe and America
2. Asia and Middle Eastern Countries
3. Africa
4. Australia, New Zealand and Pacific Islands

As PRG has a plan to develop their properties in Pathum Thani area to increase their value, the silo concrete buildings, steel silo, ash pit and buildings were sold and removed to prepare the properties for future usage. During the removal, to bring in additional revenues, PRG also rented out its warehouse, port, truck scale and parts of the office buildings that were not being used.

PRG has a prospective policy to extend food centers and restaurants while maintaining other fields of framework to sustain the ongoing business growth. PRG's vision is aimed to increase all kinds of value-added business for the benefit of the stakeholders and social contribution.

## **CUSTOMER CHARACTER AND TARGET GROUP OF RICE BUSINESS**

Most of PRG customers are in good relationship with the Company for a long time and customers that distribute rice both domestic and international have trust in the Company's rice products. It is more facile to sell Company products than selling products from other company to consumers. When there are changes in consumer preference to the products such as changes in type of rice or packaging looks, the customer will inform PRG of those information so that it can meet consumer's need.

In the past three years, sells had been made to several major customers. The first 10 customer were calculate as 35% of the total revenue and none have the revenue that goes above 30% of the revenue for 3 years.

## **MARKETING SITUATIONS AND COMPETITIVE OF RICE BUSINESS**

In 2012, the situation of Thailand's Rice manufacturing played an important role on the country's Market Direction. For instance, the Government's Rice Pledging Scheme and trading signed uncertainty in retardant Rice Exportation. Hence, Thailand's Rice business was suspended upon the wobbling condition that directly effected on entrepreneurs in almost every section such as rice-mill manufacturers, traders or rice packers.

## **COMPETITIVE POTENTIAL OF RICE BUSINESS**

PRG's has process of manufacturing and developing rice packed in bag that hold the standard quality. And modern technology developing rice quality to packing in to different size of bags. The Company also has its own subsidiary that deals with packaging. As a result, PRG's manufacturing cost/revenue ratio was relatively in the good competitive level in business. This represents PRG's advantage over its competitors.

However, in 2012 the prices of paddy rice were volatile. As well, the prices of paddy rice and the prices of white rice raw materials in the market moved in opposite directions. As a result, PRG's production costs in terms of the white rice raw materials were not much lower than the production costs of its competitors as before.

Nevertheless, the popularity of PRG's packaged rice under the brand name of "Mahboonkrong Rice" among consumers increased. This is mainly due to the fact that the quality of PRG's packaged rice is consistent and the rice is cleaner than the competitors' packaged rice or rice which is contained in gunny bags. Moreover, consumers can always be confident that the kind and the type of rice products contained in the package are the same as indicated on the package. Consumers also trust PRG since it is the first producer of packaged rice and the pioneer in introducing it to the market since 1984. As a result, Mahboonkrong Rice has now become a household name. Furthermore, PRG is the sole operator who has been awarded a special standard certificate for its packaged fragrant rice by the Department of Internal Trade, the Ministry of Commerce. It also won Trusted Brand Award 2010 by Reader's Digest Magazine, based on a survey of consumers nationwide.

PRG places strong emphasis on quality and cleanliness in every stage of manufacturing process. At present, PRG has also been awarded an ISO 9001:2008 certificate. As for the rice-packaging factory, a certificate has been given to it in regards to food



quality and safety, known as the HACCP. Moreover, it has been awarded a certificate on management and food production control, known as the GMP. Importantly, it is the first rice-packaging factory in Thailand that has been awarded the GMP in the category of rice packaging factor. As a result, PRG has won plates of award for the production of quality packaged rice for eight years in a row from the Department of Internal Trade, the Ministry of Commerce, since 2004. In addition, this year the Company had been awarded with British Retail Consortium Grade A certificate.

The fact that consumers trust the brands of PRG helps increased its potential in being a leading distributor and capturing a significant share of the domestic market. As well, the trust earned by PRG continues to help it maintain the strong sales performance of Mahboonkrong Rice.

## INDUSTRIAL TREND OF RICE PACKED IN PLASTIC BAG MARKET

In 2013, the Rice Pack Market is prone to be normally competitive. Still, compare with 2012's tendency, pricing rice is considered to be on the decrease owing to other climbing costs.

The overall expansion in the rice consumption is also decreasing. This is the cause of more promotional campaigns. As a result local consumers have more options to buy either the old brand or new brand of packaged rice. There are also more competitions in the modern retail channel.

## ACTIONS TAKEN TO REDUCE THE IMPACT ON THE ENVIRONMENT

According to the Government's Rice Pledging Scheme in 2012, we do encounter unpleasant difficulties toward Rice Pack Business. As a result, Cost Reduction Policy was brought on the procedure to sustain the company's competitive strength. But most importantly, we endorsed the certain regulation of work safety and environmental priority by conducting the specific budget for such contribution. Regarding to environmental care, we adopted the Measurement of Air Quality in working space, overall dust detection, detailed Illumination Measurement in general area and in vulnerable spot as well as Noise Measurement, which all were effectively affirmed the standard measurement by Ministry of Industry and Ministry of Labour. Apart from that, PRG took part in Green Industry, Ministry of Industry's project, and honorably received the second level of Green Industry Certificate or Green Activity grant, marked as the industry who underlined waste reducing, reuse and green factory development. With this principle and effort, we are planning to upgrade more greenish industry by pursuing environmental management policy and cause and effect analysis in 2012 because making a good dedication toward industrial environment and communities is a must. The community inhabits a good life and sustainable growth.

Besides, we do not leave neighbor communities in the corner. Activities in collaboration with locals and government sections such as rice donation in Children's day, the Red Cross Festival, Robes and Offerings Dedication Festival and the Buddhist Lent Festival are established to bond relationship, to exchange resources that lead toward sustainable development.

## FINANCIAL BUSINESS

The financial business is operated by MBK's subsidiaries including MBK Guarantee Company Limited ("MBK-G") and T Leasing Company Limited ("TLS").

### CUSTOMER GROUPS OF FINANCIAL BUSINESS

MBK's financial business providers focus on catering to the needs of customers in specific markets as follows:

- 1) General loan is operated by MBK Guarantee Company Limited ("MGK-G") whose principal products include housing loans (condominium, villa, house etc.) and bridging loan of which the security is a marketable property in good location.
- 2) The motorcycle hire purchase is operated by T Leasing Company Limited ("TLS"). Its main business is to give new motorcycle hire purchase as well as after-sales services including, registration renewal as well as insurance to protect assets and prevent risk that may arise from using the assets bought under hire purchase agreements. Its customers include low to middle income individuals who live in service areas and use motorcycles to do business or as the mainly transportation.

### MARKETING SITUATION OF FINANCIAL BUSINESS



Competition in the financial system is not only among commercial banks but also non-banks. The competition has become more intense in line with the increasing loan demands. The company has made efforts to differentiate its services, aiming at catering to the needs of certain groups of customers that commercial banks cannot cover such as foreigners with high income and purchasing power who want to buy a property for residing and investing. Other customers also include entrepreneurs who are in need of a quick bridging loan to expand their business or continue its operation. The Company sets prices that not only generate a good return but are also competitive in the market. In regards to the competition in the motorcycle hire purchase, this business remains highly competitive. The company needs to develop its products and services continuously and expands the branch network and motorcycle dealerships to increase coverage areas of customer services.

### INDUSTRY TRENDS AND FUTURE OUTLOOK OF COMPETITION IN FINANCIAL BUSINESS

In accordance with the country's economy, motorcycle hire purchase business tended to grow. In 2012, motorcycle sales across the country increased by 6% from 2011, with the total of 2.2 million motorcycles sold. It is estimated that in 2013 the number of motorcycles registered nationwide will increase because of the government's policies to increase the cost of living of people such as the policy to increase the minimum wage, or the policy to increase the starting salary for bachelor's degree holders. These policies are the important factors that will increase the purchasing power of people.

In the future the competition in the motorcycle hire purchase business will be quite high. Seven or eight of major creditors have more than 80% of the market share. The creditors will compete in the fast credit approval, convenience and branch expansion to increase accessibility to their services.

TLS's strength is the short credit approval time. In the future TLS aims to increase the credit. The strategy is to offer credit to employees in government agencies and to expand its branches in Bangkok and metropolitan area as well as major provinces in each region.

In regards to the loan business with properties as securities, Bank of Thailand's regulation prevents commercial banks from giving loans for every applicant. In addition, commercial banks have a limitation in the approval time. As a result, creditors who are not commercial banks have an opportunity to venture into the market, allow this business to have a tendency to grow with the country's economy.

Overall, this business is not aggressively competitive and has a tendency to grow from the said limitation. So MBK-G sets a goal to increase the credits by expanding to foreign clients who want to own assets in Thailand such as condominium through the channels of real estate operator, agents and real estate agents. As for short credit, the strategy is to give loans with valuable and marketable properties as securities. However, these financial institutions have a limitation in providing loans to every client.

## OTHER BUSINESSES

MBK's affiliates, Apple Auto Auction (Thailand) Company Limited ("AAA"), operates used-car and used-motorcycle auction business while X-GEN Premium Company Limited ("X-GEN") operates the dealership business of YAMAHA motorcycles, spare parts and service centers. M Racing Company Limited ("MRC") is a dealer of motorcycles, spare parts and service centers of motorcycles of all brands.

### USED-CAR AUCTION BUSINESS

Used-Car Auction Business is operated by Apple Auto Auction (Thailand) Company Limited ("AAA"). The company runs the used-car and used-motorcycle auction from different parties such as financial institutions, car rental companies, second hand car dealers and car users. The company's revenue comes from commission from participants that place their cars into auction and operation fees from buyers charged at the rate specified in the contract. In 2012 more than 18,000 cars were placed into auction. In addition to car auction, AAA has placed the motorcycle auction into the auction business since June 2010 both in Bangkok and other provinces. At present, AAA starts the use of the most modern online auction program in the country. The program streams sound and vision from the auction place to provide users a direct experience. The stock and product management system was also developed so that sellers could manage the product data faster, more accurately, with time and cost effectiveness, through the AAA's system.

AAA aims to become the leading auction company of Thailand within the year 2017. The goal complements the Company's strategies to develop the organization in different areas in order to accomplish the goal.

### NATURE OF SERVICES AND COMPETITION

AAA is a service of car and motorcycle auction which the company obtains the car or motorcycle from the sellers to test their vehicles. Then compile the profile of the vehicle and store into the parking garage. When received order from the auctioneer the vehicle will be place into auction and the auctioneer may announce prices to start the auction. When the bidder won the bid the auctioneer will collect money and deliver to the seller, set timeline and act as the coordinator in delivering and alienating the vehicle; by which the Company earn its revenue from the buyer and seller commission which is specify in the contract.

The competition in the car auction business is quite fierce due to the fact that there's only 2-3 main dealer that give hire purchase leasing finance and placed quite a number of cars into auction. At the present moment number of cars that were placed into auction decreased down each month while there are still quite a number of auction company in Thailand and there

are only 2-3 auction company that are well known and gain trust from the buyer. Due to this fact the competitor tried to use all the marketing tactics to get the marketing shares.

## MOTORCYCLE DEALER BUSINESS

1. X-GEN has earned its revenue from selling YAMAHA motorcycles, spare parts and YAMAHA maintenance centers. Moreover, X-GEN has earned its extra revenue from organizing the hire purchase budget with financial institutes, providing motorcycle insurance and registration service, and selling motorcycle accessories.

2. MRC's revenues come from the sales of motorcycles and spare parts of every brand and the income from maintenance centers. The additional revenues are derived from organizing the hire purchase budget with financial institutes, providing motorcycle insurance and registration service, and selling motorcycle accessories.

## NATURE OF SERVICES AND COMPETITION

1. X-GEN is a dealer of YAMAHA motorcycles, spare parts and maintenance centers with a legitimate domestic sale license from YAMAHA in Thailand. In addition X-GEN provides motorcycle insurance services.

The competition in the motorcycle dealer market is quite high in every province due to the fact that there are many dealers and there are different type and marketing strategies to attract consumers. This gives consumers and alternative choice in purchasing the product. The Company is the motorcycle dealer, spare its parts and YAMAHA maintenance center which have the rights to sell from YAMAHA in Thailand. There are two branches which are located Sumrong branch and Bangkai branch.

2. MRC is a dealer of motorcycles, spare parts and maintenance centers for every brand. In addition, MRC organizes the hire purchase budget with financial institutes, provides motorcycle insurance and registration service, and sells motorcycle accessories.

Competition in motorcycle market is increasing in every area because there are more competitors of various types. These competitors employ many sales strategies to attract consumers by giving them an option to buy many products in one place (One Stop Service).

## SUPPORTING BUSINESSES

Apart from the 7 main businesses, the Group also has supporting businesses. The training business, offering training, seminar and human resource development programs, is operated by MBK Training Center Company Limited ("MBK-TC"). The insurance broker business is operated by MBK Broker Company Limited ("MBK-B").

However, as these supporting businesses just started during the end of 2011, there has not been any significant business transaction yet.

## POLICY ON THE SEGREGATION OF MBK GROUP'S BUSINESSES

MBK divides its businesses into 8 groups as follows:

- 1. SHOPPING CENTER** business is operated by MBK and its subsidiaries such as The Nine Center Company Limited ("TNC") and Paradise Park Company Limited ("PDP").
- 2. HOTEL AND TOURISM BUSINESS** are operated by MBK's subsidiaries, with details as follows:
  - Hotel business is operated by MBK Hotels and Tourism Company Limited ("MBK-HT"), MBK Hotels and Resort Company Limited ("MBK-HR"), MBK Business Company Limited ("MBK-BUS" ),



Supsinthanee Company Limited (“SSTN”) and  
 Lanta Land Development Company Limited (“LLD”).

- Tourism business is operated by  
 Absolute Travel Company Limited (“ALT”) and  
 MBK Leisure Company Limited (“MBK-LS”).
- 3. GOLF BUSINESS** is operated by MBK’s subsidiaries such as  
 MBK Resort Public Company Limited (“MBK-R”) and  
 Riverdale Golf and Country Club Company Limited (“RDGCC”).
- 4. REAL ESTATE BUSINESS** is operated by MBK’s subsidiaries such as  
 Plan Estate Company Limited (“PST”) and  
 Crystal Lake Properties Company Limited (“CLP”).
- 5. RICE BUSINESS** is operated by MBK’s subsidiaries such as  
 Patum Rice Mill and Granary Public company Limited (“PRG”) and PRG’s subsidiaries.
- 6. FINANCIAL BUSINESS** is operated by MBK’s subsidiaries such as  
 MBK Guarantee Company Limited (“MBK-G”) and  
 T Leasing Company Limited (“TLS”).
- 7. OTHER BUSINESSES** are operated by MBK’s subsidiaries such as  
 Apple Auto Auction (Thailand) Company Limited (“AAA”),  
 X-GEN Premium Company Limited (“X-GEN”) and  
 M Racing Company Limited (“MRC”).
- 8. SUPPORTING BUSINESSES** is operated by MBK’s subsidiaries such as:  
 MBK Training Center Company Limited (“MBK-TC”), and  
 MBK Broker Company Limited (“MBK-B”)

It has been MBK’s policy to allow each of the eight business groups to be operated and managed by each of the above-mentioned subsidiaries with clearly separated policies and responsibilities.

## REVENUE STRUCTURE BY FINANCIAL STATEMENT OF MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

(Unit : Thousand Baht)

PRODUCT/SERVICE	TYPE OF BUSINESS	OPERATED BY	FOR THE YEARS ENDED 30 JUNE		FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER		FOR THE YEAR ENDED 31 DECEMBER	
			2010/2011		2011*		2012	
			Revenues	%	Revenues	%	Revenues	%
1. Revenue from service and rental	- Shopping plaza and property for lease  - Golf	MBK Public Company Limited and Paradise Park Company Limited The Nine Center Company Limited Glas Haus Ratchada Company Limited MBK Resort Public Company Limited Riverdale Golf and Country Club Company Limited	3,311,389	39.65	1,816,694	39.65	3,792,660	41.54
2. Sales	- Rice mill production and distribution - Warehouse rental - Property development - Food center	Patum Rice Mill and Granary Public Company Limited PRG Granary Company Limited Plan Estate Company Limited and Crystal Lake Properties Company Limited MBK Food and Entertainment Company Limited	3,150,364	37.72	1,446,831	37.72	2,734,588	29.95
3. Revenue from hotel operations	- Hotel	MBK Public Company Limited MBK Hotels and Resorts Company Limited and Supsinthanee Company Limited Lanta Land Development Company Limited	873,739	10.46	489,495	10.46	1,120,914	12.28
4. Revenue from hire purchase	- Motorcycle hire purchase	T Leasing Company Limited	242,603	2.91	138,877	2.91	448,547	4.91
5. Other revenue	- Finance business	MBK Guarantee Company Limited and its Subsidiaries	772,913	9.26	400,245	9.26	1,033,930	11.32
Total revenues			8,351,008	100.00	4,292,142	100.00	9,130,639	100.00

**NOTE:** \* The Group changed the accounting period from the period starting from 1 July to 30 June of the period starting from 1 January to 31 December, starting from the period ended 31 December 2011 onward. The first financial statements after the change in accounting period therefore present the financial transaction as from 1 July 2011 and to 31 December 2011.



## RISK FACTORS OF SHOPPING CENTER

### MBK CENTER

#### █ RISK FROM ECONOMIC SITUATION

The big flood in late 2011 had damaged the whole system of the retail cycle. However, the government's economy revival policy and the fact that retail business operators seemed to recover quickly allowed Thai retail business in 2012 to grow at the approximate percentage of 6.7, which is considered satisfactory. Other supporting factors included the increasing number of tourists to 22 million, or 16% increase from 2011, investment expansion from constructions and renovations of flood damage, and the increasing household income from the wage adjustment and consumption promotion policies – minimum wage adjustment, starting salary adjustment for bachelor degree holders, pledging of agricultural products and first car and house policy from the government. These factors allow the consumption in the private sector to grow.

However, there are still risk factors that have affected Thai economy such as the rise of oil price in the world market, political situation and terrorism threat that could affect the confidence of consumers spending and visitors to Thailand during the high season. In addition, political demonstrations had quite a severe effect on the overall retail business, especially if the demonstrations took place in the key retail zones. On the other hand, Euro Zone debt crisis could also indirectly affect the retail business as consumers also needed to be more careful in their spending. Therefore, MBK Center tried new marketing strategies and measures to increase consumers' confidence. Organizing a trade fair or events is one of the key marketing strategies because it can attract consumers to spend money to a certain level. Meanwhile, there is a need to keep searching for new strategies to increase competitiveness, penetrate new targets and keep old clients both in local and foreign markets. In addition, business operations have to be conducted more cautiously while budget and expense control policy has to be put in place to respond to the current situation and allow the business to grow stably and continuously.

#### █ RISK FROM COMPETITION

Competition in retail business is more aggressive because supercenters and hypermarkets opt to sell their products in a cheaper price and continuously expand their branches. As a result, other retailers need to adjust to stay competitive and keep their client base. Grocery stores as well as some medium and small-sized shopping centers have to shut down certain branches or reduce the size because of the loss in market share. At the same time, there are new retail projects in different locations across Bangkok. For example, Gateway Ekamai is a new shopping center that aims to cater young people's lifestyle with Japanese style and Japan Town zone that has accumulated restaurants from Japan to open in Thailand for the first time. Asiatique the Riverfront on Charoenkrung Road, and Chaophraya riverbank is another projects aims to attract tourists and respond to the demand to shop in the evening. However, in regards to shopping center operation, MBK Center focuses on high-potential location that covers the intensive amount of the target group. There is also a careful analysis of the consumers' lifestyles and demands in order to plan suitable marketing activities in order to remain competitive in the market. Most importantly is the database of information and trend of retail industry that can be used to determine management strategies and directions to reduce risks from investing and to successfully develop the shopping center.

## **RISK FROM TECHNOLOGY CHANGE**

Technology is constantly changing. Therefore, the shopping center has always adopted a new technology in its business operation as well as the retail operation in e-commerce platform. At the moment, 24.5 million Thai people or 37% of Thai population use internet. In 2011, the market value of e-commerce was accounted for THB 70,000 million and expected to keep growing. Therefore, e-commerce becomes an inevitable option for consumers. From such changes in technology, MBK Center has focused on improving its technology to be able to adjust to the changes and effectively communicate and provide services to customers.

### **PARADISE PARK**

In 2012, Paradise Park Shopping Center was continuously affected by the construction on Sri Nakharin Road, especially during the second quarter of 2012 when the construction was in front of the entrance of Paradise Park. Traffic needed to be redirected while some parts of the road to Paradise Park were blocked and traffic lights at the junction were shut off. In the third quarter, it was still inconvenient to access to Paradise Park. Therefore, there was a corporation with all related parties to solve the problems, including installing direction and shortcut signs to help customers to travel more conveniently. However, the physical risk from the construction of Sri Nakharin Road will recover in the first quarter of 2013 while the construction will be completed within the second quarter of 2013.

### **THE NINE CENTER**

The quickly rising price of consumers' products affects consumers' behavior in terms of spending more carefully and reducing the expenses on consumers' products. As a result, the spending on luxurious product has dropped. At the same time, there are more competitors with expertise in operating a shopping center and in real estate such as Thanya Shopping Park which has directly affected Paradise Park because it has increased the competition in claiming the market share.

However, the government's economy reviving policies such as the increase of minimum wage and government employees' salary and the decrease of corporate income tax help to boost spending. In addition, the Nine Center has an advantage of being the first One-Stop-Shopping community mall in Suan Luang district on Rama 9 Road (originally Premiere Rama 9), which is the gateway to the eastern region and to travelling abroad. The Nine Center is located in the Company's 14-rai property, consisting of 9 buildings divided into two service zones - the retail zone and the office space, both aiming to accommodate customers from Seri communities and other areas within 10-kilometers radiance. The center also supports customers from home offices, 3 major universities and customers from grade A and B families.

### **GLAS HAUS BUILDING COMPANY LIMITED**

Constructions of new and modern office buildings had increased in 2012, causing a rising number of competitors in the market and an approximate total of 8 million square meter office space in Bangkok. Consequently, office rental business became more aggressive. On top of that, the unsettling domestic politics prevented the rental fee increase. Glas Haus Building has a total rental space of 13,500 square meters. In 2011, 2% of the space was unoccupied. The major tenant is Thanachart Group, who has rent up to 7,000 square meters or almost 50% of the total space for rent. However, towards the end of 2011, Thanachart Group moved to a new office and terminated the contract. As a result, there is now up to 30% of unoccupied space. Nonetheless Glas Haus Building Company Limited. is forming marketing strategies to seek new tenants with the forecast that by the second quarter of 2013, 95% of the space will be rented by new tenants.

## GLAS HAUS RATCHADA COMPANY LIMITED

In 2012 Glas Haus Ratchada building was not affected by any risk factor because 99% of the space is rented by Thanachart Bank until 2016. Therefore, there has not been any changes in the rental space. At the same time, office for rent business on Ratchada Road has a tendency to grow because of the expansion in real estate business while MRT public transportation makes the area more accessible.

## RISK FACTORS OF HOTEL AND TOURISM BUSINESS

Risks affecting the hotel and tourism business primarily arise from external factors such as the unsettling politics, the South unrest, natural disasters across the globe and in the southern region, as well as overseas or domestic economic problems and the appreciation of the Thai Baht. Meanwhile, there is an increase in the number of new hotels while the number of tourists does not grow. All these pose risks to the operation of the Group's hotel business. As such factors are beyond the control of the Group, it is necessary for the Group to regularly formulate strategic and marketing plans that are suitable for each situation.

## RISK FACTORS OF GOLF BUSINESS

Most of the risks affecting the operation of the golf business stem from external factors which are unavoidable. These risks include:

### ■ SEASONAL RISK

The Loch Palm Golf Course and the Red Mountain Golf Course are located in Krathu District, Phuket Province. As a result, their business is affected by the rainy season (approximately from May to October). The period is considered a low season for the golf business as few visitors use the service. As a result, the income generated during the period is lower than that in other periods. However, the changing weather and continuous rain until the holiday season became an obstacle. Anyhow, in order to mitigate the impact during the rainy season, Golf Business has put in place a number of measures as follows:

- ▶ A special green fee rate is jointly offered as part of the package organized by the hotels in Phuket with the cooperation of the Tourism Authority of Thailand. The purpose is to attract more tourists and golf players from Asia and Australia to visit Phuket during the low season and use the golf course of the Group more.
- ▶ Special discount campaigns are organized for agents in the form of discount coupons to promote sales.
- ▶ Organization of golf competitions or tournaments for golfers during low seasons to promote more use of the golf course services.

Even though the Riverdale Golf and Country Club in Pathum Thani was also affected by the rainy season, the effect was not as severe as in Phuket Province. Moreover, main clients are local golfers in Bangkok and surrounding areas. Nonetheless, the following marketing activities are still initiated to increase the number of golf players during the rainy season:

- ▶ Organization of golf competitions or tournaments for golfers during low seasons to promote more use of the golf course services
- ▶ A promotion campaign in which players who come in a group of four pay only for three
- ▶ Point Reward for regular customers to receive special benefits and privileges from the course.

### ■ RISK FROM POLITICAL SITUATIONS

Thai politics in 2012 did not heavily affect tourism business. There was not any violent and extended unrest. Therefore, tourism business did not face any risk from political situations.

## **█ RISK FROM NATURAL DISASTERS**

In 2012 many countries around the world suffered from natural disasters. However, Thailand did not face any fatal and damaging disaster that could affect tourism. There were only well-perceived but mild natural disasters that did not cause any severe damage such as an earthquake in Phuket's Talang district, which set off Tsunami alarm and preparation to evacuate from risky areas in Phuket. Even though there were heavy rains in the northern and central regions of Thailand, Bangkok and its surrounding area did not face any flood incident like in late 2011. Therefore, golf and tourism businesses were not affected from any natural disaster.

## **█ RISK FROM GLOBAL ECONOMY**

Many leading countries in the world, including the United States and European countries, had undergone economic crisis. Many faced financial problems or increase in unemployment rate. Some of the unemployed used to be tourists visiting Thailand. Such problems, therefore, had directly affected tourism and golf business included. Golf courses in Phuket during the high season mainly entertain golfers from Europe who are businessmen with high purchasing power. These people used to travel to Thailand to play golf both in Bangkok and Phuket. Therefore, the decrease of clients from this group directly affected the expansion of golf business.

# **RISK FACTORS OF REAL ESTATE BUSINESS**

## **█ RISK FROM THE OVERALL CHANGE OF THAI AND GLOBAL ECONOMY**

Real estate business is closely connected to the economic situation and likely to move towards the same direction. Therefore, when the economy suffers from a recess, the real estate business is unavoidably affected. The increase in confidence among consumers and business operators, economic revival policies, the state's water management plan, the fragile situation in global economy and Eurozone's public debt crisis were all factored in the confidence of consumers.

However, the overall economy in 2012 continuously improved since the major flood in late 2011. Factors that contributed to the household expenses include steady employment rate, higher income from the increasing minimum wage and salary of government officers, and the government's measure to lower the cost of living.

The real estate business has a tendency to grow because there are still continuous demands for houses in Bangkok and the suburban areas. Moreover, it was found that consumers pay more attention to the credibility of operators and will consider projects that can meet their demands and are most worthwhile.

PST has done marketing researches, planning and feasibility study for its various development projects before investing. The Company focused on building quality houses with competitive prices by using the help from many innovations in the design, constructing materials and construction process. The Company also offers various forms of residences such as detached houses, townhouses and condominium with designs and utility space that meet the demands of consumers. Moreover, the Company's projects are located in various potential areas in order to increase the customer base in the future.

## **█ RISK ARISING FROM THE VOLATILITY OF CONSTRUCTION MATERIAL PRICES AND DEVELOPING COSTS**

Construction materials are considered an important cost in developing a housing project. Prices of construction materials will vary from different factors such as demand and supply certain materials. The past flood crisis caused the prices of construction materials to go up because there was a high demand to use materials to renovate buildings and houses that were affected by the country's great flood. In 2012, the price of construction materials still went up by 10 – 15% from 2011 because of the wage increase in April 2012 and the ongoing demand in repairing and constructing buildings, houses, and roads that were damaged by 2011 flood. As a result, the construction cost of PST projects has increased and affects PST's profitability because the Company cannot always adjust the selling price in accordance with the increasing cost.

Apart from the shifting prices of materials, business operators also suffer from possible shortage caused by natural disasters in many countries around the world. The attempt to recover and rebound from the damage as well as ASEAN countries' plans to expedite their infrastructure improvement caused a huge demand in the same material, which in turn had affected the supply and prices of those materials.

However, PST has a solution to manage this risk by finding materials from trusted sources from the major manufacturer and ordering in a large order, under a long term contract and a fixed price. The supplier will deliver materials periodically, allowing PST to be able to control its cost on top of the construction strategy known as Semi-precab. In so doing, it has the construction plans in advance and is able to negotiate the materials prices and to control the cost of the construction materials to a certain degree. Furthermore, PST has set up a team to monitor the prices of construction materials, labor wages, and oil prices. Such monitoring enables the Company to determine the construction costs appropriate to the situations and the products' prices that can compete in the market. These result in an effective capital management and help reduce risks that arise from the volatile costs of construction.

#### **█ RISK FROM SHORTAGE IN SKILLED CONSTRUCTION WORKERS.**

At present, many business operators are interested in real estate business - listed or outside the Stock Exchange of Thailand. They are also interested in infrastructure and transportation construction businesses from the government. As a result, there could be a shortage in skilled construction workers of the company's house constructions. PST's risk-control policies include using construction technology and instant materials, which could reduce human labors by 30%. PST has also looked for new construction technologies from local and foreign sources that can be appropriately applied.

In addition, PST has set a policy to comply the list and database of skilled constructors who meet the standard qualification. The company will also keep a close follow-up and evaluation on constructors' quality continuously. The recruitment process of each constructor must be standardized to ensure quality. PST will have construction managers, project engineers, head of construction control, construction control staff and QC staff to supervise the work of contractors, keep track on the price of materials and find alternative materials so that construction cost can be determined appropriately.

#### **█ RISK FROM SHORTAGE IN REAL ESTATE BUSINESS EXPERTS**

Directors and senior executives are important to the success of PST. They have experiences, knowledge, business connections, and expertise. Without them, the operation and performance of the company can be jeopardized because PST needs to rely on people with expert and dedication to manage the company and carefully conduct a feasibility study before the investment in each project.

Organized PST's personnel training to give knowledge and skills to employees, constructors and labors, which will allow them to understand and work in the same direction. This will increase skills to every side and decrease risk of not getting work that meet the standard quality as well as specify the competency of the personnel to be able to search and develop the personnel to meet the quality set by the organization.

#### **█ RISK FROM COMPETITION**

The growth in the second half of 2012 still presented challenges to business operators in terms of new investments and marketing activities to boost sales. However, as real estate market had a high tendency to suffer from global economic crisis and Thai economy during the flood in 2011 recovering period, the operation cost in real estate business had increased. Natural disasters also become a new factor in real estate because business operators have to choose a location that will not be affected or least affected by any flood incident.

At present, competition in housing market is likely to increase and rapidly changes. This is clearly reflected in the increase in sales and administrative expenses of operators. However, it is likely that the competition will stay between main business operators because of their continuously growing shares in market segmentation. This is partly due to the ability of major business operators to adjust to the unsettling market from the past several years. If not careful, lack of closely follow-up and evaluate the situations, may effects the business to become lack of ability to establish Durable Competitive Advantage and not able to continuously and stability maintain this advantage.

Therefore PST had established strategies to manage risk in business environment, which are as follows:

- ▶ Increase product mix by adding high-rises (condominiums) to respond to the change in purchasing power.
- ▶ Quality control process up to the product delivery to clients and a customer service that emphasizes on customers' satisfaction, giving PST more advantages in the competition in credibility, product quality and service.
- ▶ New target group, increase products and new channel of distribution that will allow PST to reach its new target group.
- ▶ To consider in expanding investment into other potentiality areas by placing importance to the environment and the community around the developing project to create economic value added to the society.
- ▶ To conduct connection with the community around and to see to give precedence to corporate social responsibility to create confidence and build good relationship between the Company and the community around.

## RISK FACTORS OF RICE BUSINESS

### █ RISK ARISING FROM PRICE OF RAW MATERIALS

The risk incurred by fluctuating prices of paddy rice. Since rice is an agricultural product, its prices are determined by the export demand and vary from seasonal effect as well as the purchasing intervention of the private sector. Moreover, this following year paddy rice pledge programs will be put back into practice with a higher pledge price than the present market price, including rapid change of domestic and global market supply and demand. PRG is aware of the risks and had proceeded with decreasing rice price as follow:

- ▶ PRG had build more warehouse in Nkhon Ratchasima which in creases the capacity in storing Company's raw rice with the total of 25,000 tons at Pathum Thani and Nakhon Ratchasima province and allow the company to store rice at certain season when the rice price is low.
- ▶ PRG proceeded with purchasing raw material policy in accordance with the contract that was mad in advance after the order. This help decreases rice in raw material price fluctuation.
- ▶ Proceed with storing raw material sufficiently policy at which the Company have enough storage space and to balance the cost price.

### █ RISK ARISING FROM PRICE FLUCTUATION

The risk incurred by the change in the behavior of some Thai consumers who changed into consuming rice bagged in plastic than rice packed in jute bag, because rice bagged in plastic are more convenience and more sanitary than bagged in jute bag. Nevertheless, the disadvantage of rice bagged in plastic is clearly printed price on the bag. Even though the prices is not subject to control by the government but suppliers are required to send notification on the price change to the Department of internal Trade in advance, therefore if there is a rapid decrease in the price of rice bagged in jute bag consumers will start consuming rice bagged in jute bag and the turnover of rice bagged in plastic bag will drop.

Nevertheless, in attempt to mitigate the risk in price and quantity, PRG had developed various sales promotion and marketing plan to continuously be in comply with the market situation such as giving discounts to retail stores, having its warehouses built around the city for the purpose of facilitating transportation of transporting of PRG's products to its customers, as well as launched advertising and public relations campaigns aimed at enhancing the positive image of "Mah Boonkrong Rice" Moreover, PRG had produced and distribute "Mah Boonkrong Rice" packed in jute bag, this allow PRG to meet consumer need in the rice market.

#### **█ RISK ARISING FROM RICE EXPORT**

It has been PRG's policy to sell more rice overseas by entering into contracts with definite term. Therefore, to mitigate the risk of not getting paid for the products or from fluctuating prices of rice, PRG requires a letter of credit or have bank transactions issued by leading banks and the Company will only agree on the prices after it has adequate raw materials. PRG has also entered into the forward exchange contract to minimize price risk from fluctuation of Thai Baht.

#### **█ RISK IN VALUE OF THB CURRENCY**

At present, PRG is not facing any risk in respect of the value of THB currency. This is because the Company has no loan or any liability denominated in a currency other than the THB currency. By any chance if PRG is required to import goods and to make payment in any other currency, it will arrange to maintain necessary protection against a fluctuation in the THB currency by buying a forward contract for coverage of the exchange rate of the currency.

#### **█ RISK OF DEPENDENCY ON CUSTOMERS OR DISTRIBUTORS**

PRG has no customer or distributor on whom the Company needs to depend in excess of 30 percent of the total revenues or total purchase value.

#### **█ RISK FROM FLOOD CRISIS**

Flood in 2011 directly affect the factory which is located in Pathum Thani. Even though PRG could successfully prevent flood damage on buildings, equipments and stocked rice, for reassurance, it was decided to relocate the factory to Nakhon Ratchasima, a highland province with minimum flood risk. Only the distribution center to small retailers remain in Pathum Thani.

## **RISK FACTORS OF FINANCIAL BUSINESS**

#### **█ CREDIT RISK MANAGEMENT OF NON-PERFORMING LOANS**

The risk arises from debtor and the counterparties of the loan agreements who default or are unable to fulfill their obligation that is agreed in the contract. This can arise from debtor facing financial distress due to the economic fluctuations or mismanage, as a result, the Group's revenues will be adversely affected.

However, the Group is aware of the management of the risk arising from non-performing loans, which is the key problem of the financial service business. Therefore the Company emphasize on debt collection management by established a policy and procedures for monitoring the quality of the loans regularly. To begin with, the Group puts in place some procedures for appraising the creditworthiness of the borrowers or counterparties of the loan agreement. The credit analysis unit is responsible for appraising the risk and determining a suitable credit line as well as related terms and conditions to be included in each loan agreement. Moreover, there is a committee with knowledge and expertise in real estate business loan to assign and approve loan applications. They are also responsible for overseeing the operations and credit insurances offered to clients who want to buy credit risk insurance with the company.

## **█ RISK FROM COLLATERALS**

For secured loans, the Group puts in place a system to assess and classify the quality of each type of collaterals by considering in liquidity and good locations (for real estate) and market demands (for motorcycles) of the collaterals. The analyses will be used to consider the loan application. In real estate collaterals, all assets are subject to appraisal by qualified independent appraisers while credits are appropriately granted to ensure collaterals to cover the debt balance. Buildings are also insured against fire throughout the contract term, which will compensate for the possible future damage. As regards the motorcycle hire purchase business in which motorcycles are considered collaterals, T Leasing Company Limited is the holder of the collateral and possesses the ownership of the collateral. If borrowers fail to repay their loans, the company can repossess the motorcycle which serves as collateral right away and sells it through a legal and transparent auction.

As a result, there is a risk arising from the inability to repossess the motorcycle, which serves as collateral. As well, there is a risk arising from the proceeds from selling the repossessed motorcycle being insufficient to repay the outstanding balance on the loan and other damages caused.

## **█ RISK ARISING FROM PRICE AND INTEREST RATES**

This risk arises from interest rate movements and the capital market, which may have adverse impacts on the Group's financial costs and sales revenues, particularly those companies engaged in hire purchase business. In the hire purchase business, the borrowers are required to pay a fixed rate of interest.

However, in order to absorb the risk, the Group charges an interest rate on loans are competitive and reasonable, in line with the higher risk when compared with the risk faced by commercial banks. Other measures to absorb the risk include, among others, charging a floating interest rate on loans or imposing prepayment penalties.

# **RISK FACTORS OF OTHER BUSINESS**

## **APPLE AUTO AUCTION (THAILAND) COMPANY LIMITED (“AAA”)**

### **█ RISK FROM DEPENDING ONLY FROM A FEW CAR DELIVERER**

In the car auction business there are two main car deliverers, which are the only 2-3 financial institutions. The proportion of the total number of cars from these car deliverers are more than 50% of all the cars put into auction at the present. AAA has only 1 main car deliverers and last year 70% of cars were put into auction. If AAA is not able to maintain this car deliverer, this will have major impact on AAA revenue.

To prevent the said risk, AAA had improved services standard and developing internal work system to be in the standard and higher than the criterions that the vendor had set. The Company also works together with the main deliverer to develop strategies to make the most benefits on the basis of neutrality and transparent for both the purchaser and the vendor.

### **█ RISK FROM NEW ONLINE AUCTION SYSTEM**

In car auction, bidders can make an offer at the auction place or through an online system. The new online auction system was improved to have live audio and visual streaming in order to correct the past mistakes. However, as the system is still new to clients and employees who may not be familiar with the program in the beginning, there could be some problems, which should be solved in a short time.



## X-GEN PREMIUM COMPANY LIMITED (“X-GEN”)

### █ RISK ARISING FROM ECONOMIC SITUATION

In selling cars in the market depends on the domestic economic situation, consumer with purchasing power will decrease if the economic situation and the political stability are not stable. Which X-Gen had always follow and analyze the economic and politic situation and work together with YAMAHA Thailand Company Limited to create marketing plan to prevent the said risk.

### █ RISK ARISING FROM DISTRIBUTING ONLY ONE BRAND OF MOTORCYCLE

At present, the sales revenue of YAMAHA motorcycle is in second rank of the domestic market. In being the motorcycle distributor of X-GEN that is permitted to sells YAMAHA’s motorcycle put the Company in to competitions with other competitors, which there are many higher group such as vendor of other motorcycle brand, distributor of motorcycle with the same brand at which can be purchase across zone, secondhand motorcycle vendors which have a cheaper price. But the most significant competitors are Sub Dealer that are not permit by the product owner but able to sell every brand of the motorcycle, by buying from the distributor to resell it. These kind of sub dealers are everywhere and this is the Company disadvantages as these sub dealer can make more sells and able to reach customer more, less investment and able to sell every brand. Moreover, the motorcycles were not purchased from X-GEN but able to vendor and compete with the Company. Yamaha is well aware of the said problem but was not able to control it.

X-GEN had tried to decrease the said risk by using marketing strategies to attract customer to purchase X-GEN motorcycle instead. This is done by, meeting the customer need in the area that competitors especially the sub dealers are not able to provide.

## M RACING COMPANY LIMITED (“MRC”)

### █ RISK ARISING FROM ECONOMIC SITUATION

Motorcycle sales depend on the economic situation in the country. The purchasing power of consumers will drop if the economic and political situation is unsettling. MRC has been tracking and analyzing the economic and political situation in order to lay out marketing plans and sales promotions to prevent such risks.

## RISK FACTOR OF SUPPORTING BUSINESSES

As the supporting businesses were just set up during late last year, there were not any significant business transactions yet.

# TELEPHONE & FAX NUMBERS OF JURISTIC PERSONS WHICH MBK HOLDS MORE THAN 10%

AS OF DECEMBER 31, 2012

TYPE OF BUSINESS	NAME OF COMPANY	TELEPHONE NUMBER	FAX NUMBER
SHOPPING CENTER BUSINESS	1. Paradise Park Company Limited	0-2746-0444	0-2746-0555
	2. Paradise Retails Company Limited	0-2746-0444	0-2746-0555
	3. Siam Delice Company Limited	0-2620-9000	0-2620-7000
	4. Glas Haus Building Company Limited	0-2260-6117 - 9	0-2260-6055
	5. Glas Haus Ratchada Company Limited	0-2693-9389	0-2693-9388
	6. MBK Smart Force Company Limited	0-2620-9000	0-2620-7000
	7. The Nine Center Company Limited	0-2716-7999	0-2716-7998
	8. MBK Center Company Limited	0-2620-9000	0-2620-7000
	9. MBK Bangyai Company Limited	0-2620-9000	0-2620-7000
	10. MBK Square Company Limited	0-2620-9000	0-2620-7000
	11. MBK Chiangmai Company Limited	0-2620-9000	0-2620-7000
	12. Siam Piwat Company Limited	0-2658-1000 - 19	0-2658-1020 - 1
HOTEL AND TOURISM BUSINESS	13. MBK Business Company Limited	0-2620-9000	0-2620-7000
	14. MBK Food and Entertainment Company Limited	0-2620-9000	0-2620-7000
	15. Absolute Travel Company Limited	0-2620-9934 - 44	0-2620-9936
	16. MBK Hotels and Tourism Company Limited	0-2216-3700	0-2611-4622
	17. MBK Food Island Company Limited	0-2620-9812	0-2620-9815
	18. MBK Hotels and Resorts Company Limited	Head Office 0-2620-9000 Branch 0-7562-8000	Head Office 0-2620-7000 Branch 0-7562-8048
	19. Supsinthanee Company Limited	Head Office 0-2620-9000 Branch 0-7783-5240	Head Office 0-2620-7000 Branch 0-7783-5239
	20. Lanta Land Development Company Limited	0-2216-3700 Branch 0-7560-7100	0-2611-4622 Branch 0-7560-7199
	21. MBK Capital Company Limited	0-2620-9000	0-2620-7000
	22. MBK Leisure Company Limited	0-2620-9934 - 44	0-2620-9936
	23. Paemala Spa Company Limited	0-2216-3700 # 14 Branch 0-7562-8885	0-2686-3665 Branch 0-7562-8028
	24. Tantara Gallery Company Limited	Head Office 0-2216-3700	Head Office 0-2216-3730
	25. Royal Orchid Hotel (Thailand) Public Company Limited	0-2266-0123	0-2236-6646
	26. DMS Property Investment Private Limited	(960) 333 0678	(960) 333 2515
GOLF BUSINESS	27. Riverdale Golf and Country Club Company Limited	Head Office 0-2620-9000 Branch 0-2501-2789	Head Office 0-2620-7000 Branch 0-2501-1833
	28. MBK Resort Public Company Limited	Head Office 0-2620-9000 Branch 0-7632-1929	Head Office 0-2620-7000 Branch 0-7632-1927-8
	29. Nasset Property Fund1	0-2126-8300	0-2263-0875
	30. Phuket Loch Palm Golf Club Company Limited	Head Office 0-2620-9000 Branch 0-7632-1929	Head Office 0-2620-7000 Branch 0-7632-1927 - 8
	31. Lam Luk Ka Golf and Country Club Company Limited	0-2995-2300-4	0-2995-2305

TYPE OF BUSINESS	NAME OF COMPANY	TELEPHONE NUMBER	FAX NUMBER
REAL ESTATE BUSINESS	32. Plan Estate Company Limited	0-2260-6100	0-2260-6099
	33. Crystal Lake Properties Company Limited	Head Office 0-2620-9000 Branch 0-7632-1929	Head Office 0-2620-7000 Branch 0-7632-1927 - 8
	34. C L P Management Company Limited	Head Office 0-2620-9000 Branch 0-7632-1744	Head Office 0-2620-7000 Branch 0-7632-1609
	35. Plan Appraisal Company Limited	0-2260-6100	0-2260-6099
	36. Lan Bangna Company Limited	0-2260-6100	0-2260-6099
	37. Kathu Land Company Limited	0-2620-9000	0-2620-7000
	38. MBK Residence Company Limited	0-2620-9000	0-2620-7000
	39. MBK Real Estate Company Limited	0-2620-9000	0-2620-7000
	RICE BUSINESS	40. Patum Rice Mill and Granary Public Company Limited	0-2501-2170 - 73
41. PRG Granary Company Limited		0-2501-2170 - 73	0-2501-2172
42. Ratchasrima Rice Company Limited		0-2501-2170 - 73	0-2501-2172
43. Sima Pac Company Limited		0-2501-2170 - 73	0-2501-2172
44. Innofood (Thailand) Company Limited		0-2501-2170 - 73	0-2501-2172
FINANCIAL BUSINESS	45. MBK Guarantee Company Limited	0-2620-7123	0-2620-7138
	46. Primacy Elegance Investments Limited	Contact to office 0-2620-9000	Contact to office 0-2620-7000
	47. MBK Premium Company Limited	0-2620-9000	0-2620-7000
	48. T leasing Company Limited	0-2832-2522	0-2611-9488
	49. M G 1 Company Limited	0-2620-9000	0-2620-7000
	50. M G 2 Company Limited	0-2620-9000	0-2620-7000
OTHER BUSINESS	51. Max Asset Management Company Limited	0-2611-9533	0-2611-9494
	52. The Olympic Club Company Limited	0-2620-9000	0-2620-7000
	53. MBK Arcade Company Limited	0-2620-9000	0-2620-7000
	54. X-GEN Premium Company Limited	Head Office 0-2620-9000 Bangcare Branch 0-2455-4388 Samrong Branch 0-2757-9100	Head Office 0-2620-7000 Bangcare Branch 0-2757-8590 Samrong Branch 0-2455-4350
	55. M Racing Company Limited	0-2620-9000	0-2620-7000
	56. MBK Asset Company Limited	0-2620-9000	0-2620-7000
	57. Apple Auto Auction (Thailand) Company Limited	Head Office 0-2620-9000 Branch 0-2399-2299	Head Office 0-2620-7000 Branch 0-2399-2244
SUPPORT BUSINESS	58. MBK Advanced Company Limited	0-2620-9000	0-2620-7000
	59. MBK Training Center Company	0-2620-9000	0-2620-7000
	60. MBK Broker Company Limited	0-2620-9000	0-2620-7000
	61. MBK Insurance Broker Company Limited	0-2620-9000	0-2620-7000
	62. MBK Service Solution Company Limited	0-2620-9000	0-2620-7000
	63. Puen Pob Paet Company Limited	0-2620-9000	0-2620-7000

# JURISTIC PERSONS WHICH MBK HOLDS MORE THAN 10%

as of December 31, 2012

TYPE OF BUSINESS	NAME OF COMPANY	HEAD-QUARTERS	MAIN BUSINESS	REGISTERED CAPITAL (BAHT)	PAID-UP CAPITAL (BAHT)	DIRECT SHARE-HOLDING (%)	INDIRECT SHARE-HOLDING (%)
SHOPPING CENTER BUSINESS	1. Paradise Park Company Limited	Bangkok	Shopping center and Real estate rental	700,000,000	700,000,000	50.00	15.36 <sup>1</sup>
	2. Paradise Retails Company Limited	Bangkok	Shopping center	5,000,000	5,000,000	-	65.36 <sup>2</sup>
	3. Siam Delice Company Limited	Bangkok	Shopping center and Real estate rental	20,000,000	20,000,000	50.00	15.36 <sup>1</sup>
	4. Glas Haus Building Company Limited	Bangkok	Real estate rental	195,000,000	195,000,000	-	99.99 <sup>4</sup>
	5. Glas Haus Ratchada Company Limited	Bangkok	Real estate rental	1,083,500,000	1,083,500,000	99.99	-
	6. MBK Smart Force Company Limited	Bangkok	Security service	1,000,000	1,000,000	99.97	-
	7. The Nine Center Company Limited	Bangkok	Shopping center and Real estate rental	95,000,000	95,000,000	-	99.99 <sup>3</sup>
	8. MBK Center Company Limited	Bangkok	Dormant	2,000,000	2,000,000	99.99	-
	9. MBK Bangyai Company Limited	Bangkok	Dormant	20,000,000	20,000,000	99.97	-
	10. MBK Square Company Limited	Bangkok	Property management	1,000,000	1,000,000	99.97	-
	11. MBK Chiangmai Company Limited	Bangkok	Dormant	1,000,000	1,000,000	99.97	-
	12. Siam Piwat Company Limited	Bangkok	Shopping center and Real estate rental	174,000,000	174,000,000	30.72	-
HOTEL AND TOURISM BUSINESS	13. MBK Business Company Limited	Bangkok	Recruitment service	570,000,000	570,000,000	99.99	-
	14. MBK Food and Entertainment Company Limited	Bangkok	Food center	90,000,000	90,000,000	-	81.23 <sup>6/7</sup>
	15. Absolute Travel Company Limited	Bangkok	Ticketing agent	5,000,000	5,000,000	-	99.99 <sup>5</sup>
	16. MBK Hotels and Tourism Company Limited	Bangkok	Hotel and traveling management	5,000,000	5,000,000	99.99	-
	17. MBK Food Island Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	81.21 <sup>9</sup>
	18. MBK Hotels and Resorts Company Limited	Bangkok	Hotel	2,200,000,000	2,200,000,000	99.99	-
	19. Supsinthanee Company Limited	Bangkok	Hotel	505,325,000	505,325,000	99.99	-
	20. Lanta Land Development Company Limited	Bangkok	Hotel	340,000,000	340,000,000	99.99	-
	21. MBK Capital Company Limited	Bangkok	Land rental	5,000,000	5,000,000	-	99.98 <sup>8</sup>
	22. MBK Leisure Company Limited	Bangkok	Tourism and Reservation	1,050,000	1,050,000	-	49.00 <sup>5</sup>
	23. Paemala Spa Company Limited	Bangkok	Spa	5,000,000	5,000,000	-	25.00 <sup>5</sup>
	24. Tantara Gallery Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	63.21 <sup>5/6</sup>
	25. Royal Orchid Hotel (Thailand) Public Company Limited	Bangkok	Hotel	937,500,000	937,500,000	29.77	-
	26. DMS Property Investment Private Limited	Republic of Maldives	Hotel and tourism	1,157,527,525	1,157,527,525	-	30.00 <sup>8</sup>
GOLF BUSINESS	27. Riverdale Golf and Country Club Company Limited	Bangkok	Golf course service and real estate development	4,000,000,000	4,000,000,000	99.99	-
	28. MBK Resort Public Company Limited	Bangkok	Golf course service	200,000,000	160,000,000	-	72.59 <sup>8/10</sup>
	29. Nasset Property Fund1	Bangkok	Property Fund	305,430,900	305,430,900	-	72.44 <sup>11</sup>
	30. Phuket Loch Palm Golf Club Company Limited	Bangkok	Dormant	2,000,000	2,000,000	-	72.58 <sup>11</sup>
	31. Lam Luk Ka Golf and Country Club Company Limited	Pathum Thani	Golf	1,454,000,000	1,454,000,000	26.37	-

TYPE OF BUSINESS	NAME OF COMPANY	HEAD-QUARTERS	MAIN BUSINESS	REGISTERED CAPITAL (BAHT)	PAID-UP CAPITAL (BAHT)	DIRECT SHARE-HOLDING (%)	INDIRECT SHARE-HOLDING (%)
REAL ESTATE BUSINESS	32. Plan Estate Company Limited	Bangkok	Real estate development for selling	200,000,000	200,000,000	-	72.58 <sup>/11</sup>
	33. Crystal Lake Properties Company Limited	Bangkok	Real estate development for selling	8,000,000	8,000,000	-	72.58 <sup>/11</sup>
	34. C.L.P Management Company Limited	Bangkok	Property management	2,000,000	500,000	-	72.57 <sup>/12</sup>
	35. Plan Appraisal Company Limited	Bangkok	Asset appraisal services	55,000,000	55,000,000	-	72.57 <sup>/13</sup>
	36. Lan Bangna Company Limited	Bangkok	Renting of warehouse space	5,000,000	5,000,000	-	72.57 <sup>/13</sup>
	37. Kathu Land Company Limited	Bangkok	Dormant	4,000,000	4,000,000	-	70.35 <sup>/8</sup>
	38. MBK Residence Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	99.96 <sup>/3</sup>
	39. MBK Real Estate Company Limited	Bangkok	Dormant	1,000,000	1,000,000	99.97	-
	RICE BUSINESS	40. Patum Rice Mill and Granary Public Company Limited	Pathum Thani	Rice business	900,000,000	600,000,000	74.52
41. PRG Granary Company Limited		Pathum Thani	Silo and sale of electricity	250,000,000	250,000,000	-	74.51 <sup>/14</sup>
42. Ratchasrima Rice Company Limited		Pathum Thani	Manufacturing and distribution of rice	62,500,000	62,500,000	-	74.50 <sup>/15</sup>
43. Sima Pac Company Limited		Pathum Thani	Plastic bag production	50,000,000	50,000,000	-	37.25 <sup>/15</sup>
44. Innofood (Thailand) Company Limited		Pathum Thani	Manufacturing and distribution of health food "GABA rice"	21,000,000	21,000,000	-	27.95 <sup>/14</sup>
FINANCIAL BUSINESS	45. MBK Guarantee Company Limited	Bangkok	Lender and surety of debt	500,000,000	500,000,000	-	99.98 <sup>/3</sup>
	46. Primacy Elegance Investments Limited	British Virgin Island Office :Bangkok	Investment	2,218,000	110,900	100.00	-
	47. MBK Premium Company Limited	Bangkok	Leasing and hire purchase	528,319,300	528,319,300	99.99	-
	48. T leasing Company Limited	Bangkok	Motorcycle hire purchase	180,000,000	180,000,000	99.99	-
	49. M G 1 Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	99.97 <sup>/4</sup>
	50. M G 2 Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	99.97 <sup>/4</sup>
	51. Max Asset Management Company Limited	Bangkok	Asset management	572,000,000	572,000,000	16.56	-
OTHER BUSINESS	52. The Olympic Club Company Limited	Bangkok	Real estate rental	700,000,000	700,000,000	99.99	-
	53. MBK Arcade Company Limited	Bangkok	Dormant	300,000,000	300,000,000	99.99	-
	54. X-GEN Premium Company Limited	Bangkok	Motorcycle dealer and service center	50,000,000	50,000,000	99.99	-
	55. M Racing Company Limited	Bangkok	Motorcycle purchase, fix and motorcycle service business	10,000,000	10,000,000	99.99	-
	56. MBK Asset Company Limited	Bangkok	Dormant	300,000,000	300,000,000	99.99	-
	57. Apple Auto Auction (Thailand) Company Limited	Bangkok	Broker of cars and motorcycles	90,000,000	90,000,000	49.99	-
SUPPORTING BUSINESS	58. MBK Advanced Company Limited	Bangkok	Dormant	1,000,000	1,000,000	-	99.89 <sup>/16</sup>
	59. MBK Training Center Company	Bangkok	Training and seminar service	1,000,000	1,000,000	99.97	-
	60. MBK Broker Company Limited	Bangkok	Life assurance and insurance broker business	4,000,000	4,000,000	99.99	-
	61. MBK Insurance Broker Company Limited	Bangkok	During license approval process	2,000,000	2,000,000	99.99	-
	62. MBK Service Solution Company Limited	Bangkok	Dormant	1,000,000	1,000,000	99.97	-
	63. Puen Pob Paet Company Limited	Bangkok	Ceased operations	1,000,000	1,000,000	36.29	-

**NOTE**

- <sup>/1</sup> Held by Siam Piwat Company Limited  
<sup>/2</sup> Held by Paradise Park Company Limited  
<sup>/3</sup> Held by Riverdale Golf and Country Club Company Limited  
<sup>/4</sup> Held by MBK Guarantee Company Limited  
<sup>/5</sup> Held by MBK Business Company Limited  
<sup>/6</sup> Held by Paemala Spa Company Limited  
<sup>/7</sup> Held by Glas Haus Ratchada Company Limited  
<sup>/8</sup> Held by MBK Hotels and Resorts Company Limited

- <sup>/9</sup> Held by MBK Entertainment Company Limited  
<sup>/10</sup> Held by MBK Premium Company Limited  
<sup>/11</sup> Held by MBK Resort Public Company Limited  
<sup>/12</sup> Held by Crystal Lake Properties Company Limited  
<sup>/13</sup> Held by Plan Estate Company Limited  
<sup>/14</sup> Held by Patum Rice Mill and Granary Public Company Limited  
<sup>/15</sup> Held by PRG Granary Company Limited  
<sup>/16</sup> Held by The Olympic Club Company Limited

# SHAREHOLDING STRUCTURE AND MANAGEMENT

## SHAREHOLDERS

On October 18, 2012, the book closing date for collect the name of shareholders according to Securities and Exchange Act section 225, there were 33 shareholders holding more than 0.5% of MBK paid-up shares, totaling 75.73% of its paid-up capital and 2,795 minority shareholders holding not exceeding 0.5% of its paid-up capital, totaling 24.27% of its paid-up capital.

The top ten major shareholders of MBK Public Company Limited were as follows:



NAME	NUMBER OF SHARES*	%
1 Patum Rice Mill and Granary Public Company Limited Group *	49,924,953	26.47%
▶ Patum Rice Mill and Granary Public Company Limited	47,424,953	25.14%
▶ PRG Granary Company Limited	2,500,000	1.33%
2 Thanachart Capital Public Company Limited Group	37,537,209	19.90%
▶ Thanachart Capital Public Company Limited	18,856,209	10.00%
▶ Thanachart Bank Public Company Limited	7,684,200	4.07%
▶ Thanachart Securities Public Company Limited	7,560,300	4.01%
▶ Thanachart Insurance Company Limited	3,436,500	1.82%
3 Thai NVDR Company Limited	5,646,600	2.99%
4 STATE STREET BANK EUROPE LIMITED	4,696,500	2.49%
5 Mr. Yongsak Kanathanavanich	4,421,400	2.34%
6 NORTRUST NOMINEES LIMITED	4,014,800	2.13%
7 DBS BANK A/C DBS NOMINEES-PB Clients	3,598,400	1.91%
8 AMERICAN INTERNATIONAL ASSURANCE COMPANY, LIMITED-APEX	3,086,400	1.64%
9 Ms. Sinee Thienprasiddhi	2,550,233	1.35%
10 Mr. Chanin Donavanik	2,453,433	1.30%

\* The number of shares included with the shares held by the related parties according to section 258 of Securities and Exchange Act (No. 4) B.E. 2551

## MANAGEMENT

### (1) MANAGEMENT STRUCTURE

The Company's management structure consists of the Board of Directors and specialized committees responsible for supporting important management areas and works in respect of which the Board of Directors has adopted resolutions including the Audit Committee, the Executive Committee as well as the Compensation and Nomination Committee. There are still various sub - committees, the sub-committee for the consideration of rents, and the sub-committee for management of the real estate business. The details of the responsibilities of the various committees are as follows:

#### 1) THE BOARD OF DIRECTORS

The Company's Board of Directors is comprised of 11 members including:

- 10 non-executive directors (of whom 5 are independent, exceeding one-third of the whole number of the Board)
- 1 executive director.

LIST OF THE BOARD OF DIRECTORS ARE AS FOLLOWS:

NAME		POSITION	APPOINTED DATE
1)	Mr. Banterng Tantivit	Chairman	September 14, 1989
2)	Mr. Suphadej Poonpipat	Vice Chairman	September 14, 1989
3)	Professor Paichitr Rojanavanich	Independent Director	October 6, 1999
4)	Ms. Prakong Lelawongs	Independent Director	April 8, 1994
5)	Mr. Pracha Jaidee	Independent Director	October 31, 2007
6)	First Lieutenant Chatrachai Bunya-Ananta	Independent Director	December 9, 1998
7)	Ms. Panit Pulsirivong	Independent Director	April 8, 1994
8)	Mr. Piyaphong Artmangkorn	Director	October 8, 1998
9)	Mr. Suvait Theeravachirakul	Director and President	October 26, 2000
10)	Mr. Hatchapong Phokai	Director	October 26, 2000
11)	Mr. Atipon Tantivit	Director	October 8, 2003

The Board of Directors' meeting is held once per month and for the year 2012, the number of meetings held by the Board of Directors amounted to 12.

The definition and qualifications of independent directors according to the Company's policy on good corporate governance are in line with the criteria established by the Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), with details as follows:

- (1) Not to hold more than 5 percent of the voting shares of the Company, or of each of its subsidiary, associate or affiliate companies or juristic persons that may have a conflict of interest;
- (2) Not to be an officer, employee, consultants being paid a fixed salary or having authority to control the Company, its subsidiary, associate or affiliate companies or juristic persons that may have a conflict of interest;
- (3) Not to be related by blood or by registration as a parent, spouse, brother or sister, or siblings or any of their spouses, to or of an executive, a major shareholder having a controlling power, or a person to be appointed an executive or a person having a controlling power of the Company or its subsidiary company;
- (4) Not to have a business relationship with the Company or any of its subsidiary, associate or affiliate company or juristic person that may have a conflict of interest or otherwise which may render the director to be unable to give an independent opinion in relation to the operation of business of the Company.

## SCOPE OF AUTHORITY AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

1. The Board of Directors is responsible for managing all the Company's businesses in line with the legal requirements, the Company's objectives and Articles of Association, as well as the resolutions adopted at the shareholders' meetings.
2. The Board of Directors is authorized to assign one or more of its members or other persons to conduct any business affairs on behalf of the Company.
3. Names and number of directors authorized to sign on behalf of the Company:  
Mr. Suvait Theeravachirakul and Mr. Hatchapong Phokai two directors are authorized to sign jointly with the Company's seal affixed.
4. The Board of Directors is authorized to appoint or change the directors serving as authorized signatories on behalf of the Company.

## TENURE OF THE BOARD OF DIRECTORS

1. At the Annual General Meeting each year, one-third of the directors must retire from office. If the number of the directors retiring from office does not amount to exactly one-third, the nearest whole number of one-third shall be used.  
The directors who must retire from office in the first year and the second year in line with the preceding paragraph shall be selected by random drawing. In the following years, the directors with the longest tenure in office shall be required to retire. In an event that the number of directors with the longest tenure in office exceeds the number of directors who must retire, the retiring directors shall be selected by random drawing. The retiring directors are eligible for re-appointment.
2. Apart from retiring from office upon the expiration of the tenure, the director shall retire from office upon:
  - (1) Death;
  - (2) Resignation by delivering a written notice of resignation to the Company;
  - (3) Lacking the required qualifications or becoming forbidden by any provisions of the law;
  - (4) Resolution for the director to retire, which is adopted by at least three-fourths of the shareholders attending their meeting and having voting rights, provided that the combined number of the shares owned by these shareholders at least half of the total shares owned by all the shareholders attending the meeting and having the voting rights;
  - (5) The order by the court of law
3. If the directorship becomes vacant due to other reasons than the expiration of the tenure, the Board of Directors shall appoint a replacement who possesses the required qualifications and is not forbidden by any provisions of the law. The replacement shall be appointed at the Board of Directors' next meeting and has to be voted in by at least three-fourths of the remaining directors, with the exception of the situation in which the remaining tenure of the vacant directorship is less than two months.
4. In case the number of vacant directorships results in inadequate quorum, the remaining directors can act on behalf of the Board of Directors only in organizing a meeting of shareholders for the purpose of appointing replacements to fill the vacant directorships.
5. The directors appointed as replacements in line with Item 3 and Item 4 above shall be in the office only for the remaining term of the directorships being replaced.



## 2) THE EXECUTIVE COMMITTEE

LIST OF THE COMPANY'S EXECUTIVE COMMITTEE, ITS SECRETARY AND THEIR POSITIONS ARE AS FOLLOWS:

NAME		POSITION
1) Mr. Banterng	Tantivit	Chairman of the Executive Committee
2) Mr. Suphadej	Poonpipat	Vice Chairman of the Executive Committee
3) Mr. Piyaphong	Artmangkorn	Member of the Executive Committee
4) Mr. Suvait	Theeravachirakul	Member of the Executive Committee
5) Ms. Dararat	Homrossukhon	Secretary of the Executive Committee

The Executive Committee's meeting is held once per month and for the year 2012, the number of meetings held by the Board of Directors amounted to 12.

### SCOPE OF WORK OF THE EXECUTIVE COMMITTEE

Managing the Company's business affairs, ensuring that they follow the policies established by the Company's.

### DUTIES AND RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE

1. Proposing policies and strategies for managing the Company's and its subsidiaries' businesses to the Board of Directors for approval.
2. Ensuring that the management team implements the established policies and strategies effectively and efficiently.
3. Considering and approving on the Company's liquidity management, investing in debt instrument rated investment grade (rated BBB+ up) with total amount not greater than THB 200 million per one issue and reporting to the Board of Directors when such transaction was approved.
4. Considering and approving on the Company's requirement of other capital expenditures, not specified in the annual budget, with total amount not exceeding THB 50 million per one meeting of the Executive Committee and reporting to the Board of Directors when such transaction was approved.
5. Considering and approving on the Company's requirement of administrative and selling expenses, not specified in the annual budget, with total amount not exceeding THB 20 million per one meeting of the Executive Committee and reporting to the Board of Directors when such transaction was approved.
6. Managing risks of financial or investment activities relating to the Company's and its subsidiaries' projects by means of establishing risk management policies as well as monitoring and assessing results, the report of which to be presented to the Board of Directors for consideration.
7. Considering appropriateness of the annual business plan and budget in MBK and other subsidiaries before proposing them to the Board of Directors for approval.
8. Considering the Company's Organization Chart, authority, salary structure, and annual remuneration for the staff and the management team before presenting them to the Board of Directors for approval.
9. Managing the Company's business affairs, ensuring that they comply with the legal requirements and that there is no conflict of interest.
10. Supervising the works of various committees.
11. Acknowledging difficulties, obstacles and reviewing practical solutions.
12. Carrying out other duties as assigned by the Board of Directors.

### TENURE OF THE EXECUTIVE COMMITTEE

The chairman, vice chairman and the members of the Executive Committee shall have the same tenure as the Board of Directors' tenure.

### 3) THE AUDIT COMMITTEE

The Board of Directors established the Audit Committee on February 4, 1999. The Committee is comprised of 3 members, all of whom are independent. Two of the members have adequate knowledge and experience in auditing financial statements. Their qualifications meet all the regulations of the Stock Exchange of Thailand. The current members of the Audit Committee include the following:

#### LIST OF THE AUDIT COMMITTEE, ITS SECRETARY AND THEIR POSITIONS ARE AS FOLLOWS:

NAME	POSITION	NOTES
1) Professor Paichitr Rojanavanich	Chairman of the Audit Committee	Independent director having knowledge and experience in accounting and finance
2) Ms. Prakong Lelawongs	Member of the Audit Committee	Independent director having knowledge and experience in accounting and finance
3) Mr. Pracha Jaidee	Member of the Audit Committee	Independent director having knowledge and experience in law
4) Ms. Yupapun Paritranun	Secretary of the Audit Committee	

The meeting of the Audit Committee will be held at least once every month. The minutes of the meetings will have to be sent to the Board of Directors for information. In addition, the Committee has to meet annually with the external auditors and the management to review the financial statements. For the year 2012, the number of meetings held by the Audit Committee amounted to 16.

#### SCOPE OF WORK OF THE AUDIT COMMITTEE

The Audit Committee is responsible for carrying out the assignments given by the Board of Directors.

#### DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

1. Ensuring that the company has appropriate and efficient internal control systems and internal audit.
2. Ensuring that the company's financial reports are accurate, complete and adequate.
3. Considering, reviewing, and proposing the appointment of the company's external auditor, including the auditing fee.
4. Ensuring that the company complies with the related rules and regulations as well as the requirements of the Stock Exchange of Thailand, Securities and Exchange Act.
5. Ensuring that the Management takes action on the deficiency or errors which have been found as a result of auditing, as well as putting pressure on the business units involved to correct the matters.
6. Reviewing evidence from internal investigations when there is an observation or an inference that there might be fraud, irregularities or substantial loopholes in the company's internal control systems and to report them to the Board of Directors for further consideration.
7. Giving instructions and reviewing evidence when there is an observation or an inference that there might be violations of laws or breaking of rules imposed by the Stock Exchange of Thailand, which have or might have significant impact on the company's financial position and performance.
8. Suggesting to the external auditor to verify or review transactions which are considered important and material during the period of auditing the company's financial accounts.
9. Co-operating with the internal audit department to consider and review the company's annual audit plan.
10. Approving the appointment, transfer, and removal of the Head of the Internal Audit.

11. Preparing the Audit Committee's report, which is separated from the Board of Directors' report. The Audit Committee's report to be signed by the Chairman of the Audit Committee will be included in the company's Annual Report.
12. Carrying out other duties as assigned by the Board of Directors.
13. Carrying out duties and responsibilities as required by the Stock Exchange of Thailand.
14. Considering and reviewing the accuracy and adequacy of the disclosure of connected transactions or other conflict of interests' transactions.

#### TENURE OF THE AUDIT COMMITTEE

The chairman and the members of the Audit Committee shall have the same tenure as the Board of Directors' tenure.

#### 4) THE COMPENSATION AND NOMINATION COMMITTEE

List of the Compensation and Nomination Committee, its Secretary and their positions are as follows:

NAME		POSITION	NOTES
1)	First Lieutenant Chatrachai Bunya- Ananta	Chairman of the Compensation and Nomination Committee	Independent Director
2)	Mr. Suphadej Poonpipat	Member of the Compensation and Nomination Committee	
3)	Ms. Panit Pulsirivong	Member of the Compensation and Nomination Committee	Independent Director
4)	Mr. Suvait Theeravachirakul	Secretary of the Compensation and Nomination Committee	

For the year 2012, the number of meetings held by the Company's Compensation and Nomination Committee amounted to 2.

#### SCOPE OF WORK OF THE COMPENSATION AND NOMINATION COMMITTEE

Nominating the Company's directors and president as well as determining their remuneration.

#### DUTIES AND RESPONSIBILITIES OF THE COMPENSATION AND NOMINATION COMMITTEE

1. Nominating suitable candidates for the Company's directorships and proposing them to the Board of Directors or to the shareholders at their meeting for approval, depending on the case.
2. Nominating suitable candidates to serve as the Company's President as well as determining the related remuneration package by taking into account the President's duties and responsibilities, the Company's financial position, the salary rate comparable to the standard rates of the same industry, and proposing them to the Board of Directors for consideration and approval.
3. Considering and evaluating the President's yearly performance. The performance result shall be proposed to the Board of Directors for considering and approving for a change in the President's salary or any other benefits.
4. Carrying out any duties as assigned by the Board of Directors.

#### 5) SECRETARY OF THE COMPANY

The Company has appointed Ms. Dararat Homrossukhon, to act as company secretary of MBK in accordance with the Securities and Exchange Act and the Good Corporate Governance practices of listed companies concerning the Responsibility of Directors, having the responsibility relating to the convening of meetings and the preparation and safe-keeping of documents, such as the register of directors, the notices for the convening of the meeting of the Board of Directors, the minutes of the meetings of the Board of Directors, the annual report of the Company, the notices for the convening of the meetings of the shareholders of the Company, the minutes of the meetings of the shareholders, and the report on the fact and the nature of conflicting of

interests of the directors/executives, and the giving of recommendations, information/various regulations in respect of which the directors must have knowledge and compliance, and the attending to the various activities of the directors to enable them to discharge their duty efficiently and in the manner most beneficial to the Company.

## 6) THE EXECUTIVE MANAGEMENT

NAME		POSITION
1) Mr. Suvait	Theeravachirakul	President and CEO
2) Mr. Pongsak	Sabdasen	Senior Executive Vice President, Office of President
3) Mr. Kasemsuk	Chongmankhong	Senior Executive Vice President, Finance & Administration Division
4) Mr. Sakchai	Kengkijkosol	Senior Executive Vice President, Operation Division
5) Ms. Yupapun	Paritranun	Senior Executive Vice President, Internal Audit Division
6) Mr. Somboon	Wongrassamee	Senior Executive Vice President, Business Development Division
7) Mr. Winai	Srichobtham	Executive Vice President, Marketing Division
8) Mr. Apichat	Kamoltham	Executive Vice President, Legal Division

## (2) NOMINATION OF DIRECTORS / EXECUTIVE MANAGEMENT

In relation to selecting the candidates nominated or to be nominated as the Company's directors, the candidates are elected by the Compensation and Nomination Committee. Of the Board of Directors, a total of five members are representatives for the Company's major shareholders. In the appointment of directors, minor shareholders are also entitled to appoint the Company's directors. The mechanism which the Company appoints its directors is specified in the Company's Articles of Association with details as follows:

1. The number of the Company's directors shall be determined by the shareholders at their meeting, provided that the number is not less than five. The directors may hold shares in the Company. However, at least half of the member of the Board of Directors must be residents in Thailand.
2. The directors shall be appointed at the shareholders' meeting in line with the rules and mechanism as follows:
  - 2.1 Each shareholder shall have one vote for each of the shares held. (Each share entitles the holder to one vote.)
  - 2.2 The directors may be appointed by casting votes for each director or a number of directors at the same time or by any other procedures as the shareholders at their meeting deem appropriate, provided that, at each voting, the shareholders shall cast all their votes in Item 2.1 without allocating some or more of their votes to any particular directors.
  - 2.3 The persons in order of the votes received, starting from the one with the highest votes, shall be appointed to fill the vacant directorships. In an event that the persons appointed to fill the remaining vacant directorships receive the same number of votes (In case of ties), the Chairperson of the meeting shall cast the deciding vote.

## (3) ADDITIONAL INFORMATION RELATING TO THE DIRECTORS AND THE EXECUTIVES OF THE COMPANY IS AS FOLLOWS:

In 2012, no director or executive of the Company has had any records of breaches of the law in respect of the following:

- 1) Being subject to a court judgment in respect of a criminal prosecution, except in the case of a prosecution arising from a traffic violation, petty offence, or any other similar offence;

- 2) Being adjudged a bankrupt person or placed under receivership in relation to his/her property;
- 3) Being an executive or a person having a controlling power over a company or partnership adjudged bankrupt or its asset being ordered to be placed under receivership;

The Company also appointed experts and executives from various departments to be in charge of considering and managing specific matters within the Company, ensuring that the matters were managed properly, efficiently, and effectively in the best interest of the Company. Committees and working groups were formed to look after and manage of the following specific matters.

#### COMMITTEE RESPONSIBLE FOR SUPERVISING AND DEVELOPING OF MBK GROUP

1. Information System Development Steering Committee and Working Group
2. Business Continuity Committee
3. Human Resource Committee
4. Customer Relationship Management Sub-Committee and Working Group
5. Corporate Customer Service Policy Working Group
6. Centralization Procurement System Working Group
7. Quality Management System Committee
  - 7.1 Strategic Management and Balance Scorecard Committee
  - 7.2 Risk Management Committee
  - 7.3 Strategic Management and Balance Scorecard Committee
  - 7.4 Suggestion Committee
  - 7.5 ISO 9000 Quality Management System Committee
  - 7.6 Risk Management Committee
  - 7.7 Thailand Quality Award Committee

#### COMMITTEE RESPONSIBLE FOR SUPERVISING AND DEVELOPING SHOPPING CENTER BUSINESS ARE AS FOLLOWS:

1. Strategic Management and Balance Scorecard Committee, Shopping Center Business
2. Risk Management Committee, Shopping Center Business
3. Development of Good Relationship between customers and Business groups Committee
4. Shopping Center Service Development Committee
5. Prevention against Vendors Causing Damage to the Shopping Center Committee
6. Shopping Center Major Renovation Committee
7. Uniqueness Creation Committee
8. Brand Development Committee
9. Welfare within Place of Business Committee (MBK Smart Force Co., Ltd.)
10. Company's Welfare (MBK Smart Force Co., Ltd.)

#### COMMITTEES RESPONSIBLE FOR SUPERVISING AND DEVELOPING HOTEL AND TOURISM BUSINESS ARE AS FOLLOWS:

1. Strategic Management and Balance Scorecard Committee, Hotel and Tourism Business
2. Risk Management Committee, Hotel and Tourism Business
3. Strategy Management and Balance Scorecard Committee, (MBK Public Co., Ltd. Pathumwan Princess Hotel branch)
4. Strategic Management and Balance Scorecard Committee, (Supsinthanee Co., Ltd.)
5. The Executive Committee, Hotel and Tourism Business

#### **COMMITTEES RESPONSIBLE FOR SUPERVISING AND DEVELOPMENT OF GOLF BUSINESS**

1. Strategic Management and Balance Scorecard Committee, Golf Business
2. Risk Management Committee, Golf Business
3. Website Organizer for Golf Business Group Committee
4. Strategic Management and Balance Scorecard Committee (MBK Resort Public Co., Ltd.)
5. Risk Management Committee (MBK Resort Public Co., Ltd.)
6. ISO Quality Management System Committee
7. Safety Occupational Health and Environment Committee (MBK Resort Public Co., Ltd.)
8. Welfare within Place of Business Committee (MBK Resort Public Co., Ltd.)
9. The Executive Committee, Golf Business

#### **COMMITTEES RESPONSIBLE IN SUPERVISING AND DEVELOPING REAL ESTATE BUSINESS ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Real Estate Business
2. Risk Management Committee, Real Estate Business
3. Risk Management Committee (CLP Management Co., Ltd.)
4. ISO Quality Management System Committee (CLP Management Co., Ltd.)
5. The Executive Committee, Real Estate Business

#### **COMMITTEES RESPONSIBLE ON SUPERVISING AND DEVELOPING RICE BUSINESS ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Rice Business
2. Risk Management Committee, Rice Business
3. Strategic Management and Balance Scorecard Committee (Patum Rice Mill and Granary Public Co., Ltd.)

#### **COMMITTEES RESPONSIBLE IN SUPERVISING AND DEVELOPING FINANCIAL BUSINESS ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Financial Business
2. Risk Management Committee, Financial Business
3. Financial Management Business Committee
4. Credit Management Committee

#### **COMMITTEES RESPONSIBLE IN SUPERVISING AND DEVELOPING OTHER BUSINESS ARE AS FOLLOWS:**

1. Strategic Management and Balance Scorecard Committee, Other Business
2. Risk Management Committee, Other Business

#### **MBK'S COMMITTEES THAT ARE RESPONSIBLE FOR SUPERVISING AND DEVELOPING HUMAN RESOURCES OF MBK ARE AS FOLLOWS:**

1. Knowledge Management and Development Committee
2. Management Trainee and Company's Scholarship Project Committee
3. Organizational Culture Development Committee
4. Welfare within Place of Business Committee
5. MBK Public Co., Ltd. Welfare Committee
6. Safety Occupational Health and Environment Committee
7. Social and Environmental Responsibilities Committee
8. Behavioral Justice Committee
9. Provident Funds Committee
10. Savings and Credit Cooperative Committee
11. MBK office Major Renovation 2012 Working Group

**MBK'S COMMITTEES THAT ARE RESPONSIBLE FOR TAKING CARE OF STAKEHOLDERS SUCH AS USERS OF THE SERVICES, LESSEES, CREDITORS AND DEBTORS ARE AS FOLLOWS:**

1. Claims and Indemnities Committee
2. Procurement Committee
3. Sale of Assets Committee
4. Tenant Selection Working Group
5. The 6<sup>th</sup> floor Food Center Management Working Group

Moreover, MBK encourages all level of its employees to be part of the working groups to enhance the potential of its human resources. These working groups are as follows:

1. Learning Organizational Development Working Group
2. Knowledge Management Working Group
3. Energy Management Working Group
4. Promotion of 5-Sor Activities Working Group
5. In-house Energy Management Evaluator Working Group
6. Community Relation Working Group
7. Good Corporate Governance Working Group
8. Thailand Quality Award Working Group (TQA)

**(4) DELEGATION OF AUTHORITY TO ACT ON BEHALF OF THE COMPANY**

The Company has put in place operational rules which provide details related to the exercise of authority to approve transactions on behalf of the Company. The objective is to delegate the authority to the staff holding different positions and in charge of performing various duties. To make the performance of their duties more flexible and efficient, they are authorized to act on behalf of the Company within the scope of authority specified by the Company. In this connection, the delegated authority is also subject to the Company's appropriate internal control systems.

**(5) REMUNERATIONS FOR DIRECTORS AND EXECUTIVES MANAGEMENT**

**5.1 DIRECTOR REMUNERATIONS (1 January - 31 December 2012)**

**DIRECTOR REMUNERATIONS**

LIST OF NAME	DIRECTOR ALLOWANCE (THB)	MEETING ALLOWANCE (THB)				GRATUITY (THB)	TOTAL REMUNERATION (THB)
		BOARD OF DIRECTORS	AUDIT COMMITTEE	EXECUTIVE COMMITTEE	COMPENSATION AND NOMINATION COMMITTEE		
1. Mr. Banterng Tantivit	480,000.00	480,000.00		840,000.00		754,516.40	2,554,516.40
2. Mr. Suphadej Poonpipat	288,000.00	288,000.00		504,000.00	50,000.00	565,887.30	1,695,887.30
3. Professor Paichitr Rojanavanich	240,000.00	240,000.00	700,000.00			377,258.20	1,557,258.20
4. Ms. Prakong Lelawongs	240,000.00	240,000.00	350,000.00			377,258.20	1,207,258.20
5. Mr. Pracha Jaidee	240,000.00	240,000.00	350,000.00			377,258.20	1,207,258.20
6. First Lieutenant Chatrachai Bunya-Ananta	240,000.00	240,000.00			100,000.00	377,258.20	957,258.20
7. Ms. Panit Pulsirivong	240,000.00	240,000.00			50,000.00	377,258.20	907,258.20
8. Mr. Piyaphong Artmangkorn	240,000.00	240,000.00		300,000.00		377,258.20	1,157,258.20
9. Mr. Suvait Theeravachirakul	240,000.00	240,000.00				377,258.20	857,258.20
10. Mr. Hatchapong Phokai	240,000.00	240,000.00				377,258.20	857,258.20
11. Mr. Atipon Tantivit	240,000.00	240,000.00				377,258.20	857,258.20
<b>Total</b>	<b>2,928,000.00</b>	<b>2,928,000.00</b>	<b>1,400,000.00</b>	<b>1,644,000.00</b>	<b>200,000.00</b>	<b>4,715,727.50</b>	<b>13,815,727.50</b>

## COMPARISON OF DIRECTOR REMUNERATIONS FROM 2008 - 2012

REMUNERATIONS	July 1, 2008 – June 30, 2009		July 1, 2009 – June 30, 2010		July 1, 2010 – June 30, 2011		July 1, 2011 – December 31, 2011		January 1, 2012 – December 31, 2012	
	Number (persons)	Amount (THB)	Number (persons)	Amount (THB)	Number (persons)	Amount (THB)	Number (persons)	Amount (THB)	Number (persons)	Amount (THB)
Allowances for Directors Meeting Director Remunerations	11	7,085,000.00	11	7,150,000.00	11	8,229,500.00	11	4,490,000.00	11	9,100,000.00
<b>TOTAL</b>		14,238,207.44		15,281,736.75		17,189,382.25		13,921,455.00		13,815,727.50

### 5.2 OTHER REMUNERATION

-None-

### 5.3 REMUNERATIONS FOR THE EXECUTIVE MANAGEMENT (JANUARY 1 – DECEMBER 31, 2012)

#### REMUNERATIONS OF THE EXECUTIVE MANAGEMENT

EXECUTIVE MANAGEMENT	NUMBER (PERSONS)	AMOUNT ( MILLION THB)
Executive Management	8	34.75

## COMPARISON OF THE REMUNERATIONS FOR EXECUTIVES MANAGEMENT FROM 2008 TO 2012

REMUNERATIONS	July 1, 2008 – June 30, 2009		July 1, 2009 – June 30, 2010		July 1, 2010 – June 30, 2011		July 1, 2011 – December 31, 2011		January 1, 2012 – December 31, 2012	
	Number (persons)	Amount (Million THB)	Number (persons)	Amount (Million THB)	Number (persons)	Amount (Million THB)	Number (persons)	Amount (Million THB)	Number (persons)	Amount (Million THB)
REMUNERATIONS (Salaries and Bonuses)	8	30.23	8	32.25	8	34.51	8	24.90	8	34.75

## (6) PERSONNEL

### 6.1 NUMBER OF EMPLOYEES

As of December 31, 2012, MBK Public Company Limited employed a total of 505 employees, consisting of Managing Director, Deputy Managing Director, 8 Managing Director Assistants and 497 employees. This also included 237 employees of MBK Smart Force Co., Ltd., The number of employees in each department are as follows:



DIVISION	NUMBER OF EMPLOYEES (PERSON)*				
	1 July 2008 - 30 June 2009	1 July 2009 - 30 June 2010	1 July 2010 - 30 June 2011	1 July 2011 - 31 December 2011	1 January 2012 - 31 December 2012
1. Office of President	80	42	39	49	90
2. Legal	9	14	16	12	14
3. Business Development	9	17	16	11	16
4. Finance & Administration	101	120	115	125	118
5. Internal Audit	17	22	18	19	24
6. Marketing	85	101	88	91	100
7. Operation Division	194	139	131	139	135
8. MBK Smart Force Co., Ltd.	133	169	207	218	237

Note: Number of employees are calculated from the average of employee in each year.

## 6.2 REMUNERATION OF EMPLOYEES (EXCLUDE THE PRESIDENT AND THE EXECUTIVE MANAGEMENT)

Unit : Baht

REMUNERATIONS	1 July 2008 - 30 June 2009	1 July 2009- 30 June 2010	1 July 2010 - 30 June 2011	1 July 2011 - 31 December 2011	1 January 2012 - 31 December 2012
Salary, Bonus and Provident Fund	174,027,855.85	179,006,971.50	170,627,253.73	166,220,258.48	302,433,364.70

## 6.3 OTHER REMUNERATIONS

The Company has provided for other remunerations and welfare benefits in addition to salaries, such as bonuses, savings and credit cooperative, working at upcountry expenses, OT, uniform expenses, provident funds, medical treatment cost, group insurance, social security and yearly check up.

The Company had established provident funds entitled "MBK Group Staff Provident Funds" on 1<sup>st</sup> July 1992. Under the terms and conditions specified in the Provident Funds, the Company agrees to make its subsidy and the employees who are members of the Provident Fund also agreed to make their contributions, the details of which are as follows:

SAVING RATE OF EMPLOYEES	SUBSIDY BY THE COMPANY			PAYMENTS FROM FUNDS	
- Members are required to contribute at least 5% of their salary but not more than the employer's subsidy for the members	<u>Years of Membership</u>			<u>Years of Membership</u>	<u>Subsidy and Benefits (%)</u>
	Membership Commencement	Subsidy Rate	5%		
	2 years –less than 4 years	"	6%	Less than 1 year	0
	4 years- less than 6 years	"	7%	1 year–less than 3 years	30
	6 years- less than 8 years	"	8%	3 years–less than 5 years	50
	8 years-less than 10 years	"	9%	5 years- less than 7 years	70
	10 years or more	"	10%	7 years or more	100

## 6.4 HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT

The Company is well aware that each employee is a valuable resource in helping the Company to achieve its goals or vision and enhancing it into a leading company with sustainable growth. So the Company had adopted a policy in developing human resource for all level of employees. The objectives of this policy are to increase the efficiency of human resources in skills, knowledge, competency, attitude and good working behavior in their field of work. The Individual Development Plan will encourage each individual to learn, do research and continuously share their experiences. These management and Development

programs such as Developing Human Resources Management System, training, giving scholarship to study in bachelor/ master level, work field trip both domestic and international, employees development plan and executive development plan to carry on important position in the Company, works management, building relationship of personnel and develop the organization of knowledge. These will lead the staff and Executive into topmost professional.

#### **6.4.1 DEVELOPMENT OF HUMAN RESOURCES MANAGEMENT SYSTEM**

##### **6.4.1.1 Using Program to manage human resource database**

The Company is proceeding with installing and developing PeopleSoft HCM 9.0, which is the system with functions that fully support management process in human resources such as recruit system, employment system, salary system, time record system, leave system, works management system, position successor management and progress in the occupation system. Moreover, this program allowed the manager of each division and the staff to enter into the data and use the system to manage (Self Service). It can also be connected to working system of other division, which is called Enterprise Resources Planning (ERP). This will enhance the efficiency in working and improving the Personnel management system into a higher system as well as enhance the level of satisfaction to the staff and any related individuals.

#### **6.4.2 STRENGTHEN AND DEVELOP PERSONNEL COMPETENCY**

##### **6.4.2.1 Strengthen and Develop Personnel Competency**

Developing Competency Model to be utilize in Human Resource division, start from searching and recruiting employees, training employees, develop employees in the form of Non Classroom Training, Career Development plan, Succession Planning and performance evaluation. The Company work together with the advisor in preparing competency to set a way to evaluate and prepare employees to handle the business demand both present and future. This also includes the ability to respond efficiently to changes of the Company.

##### **6.4.2.2 Career Path & Career Group Development**

The Company plan uses competency to top up in order to create Career Model of each Job Family, both that developed according to the field of work in the same career group and those that developed cross functional or cross career group, which will culminate in employees competency development, to have clear goal and able to respond to both business demand and growth in the employees obligations.

##### **6.4.2.3 Training**

Training is one of our significant policies to enhance working engagement continuity and to increase competency standard to be as effective as other companies, together with an effort to implement institution progress and sustainability. We held a contemporary internal and external program for employees in all levels and specifically followed each measurement with effective tools. There are also capability trainings that highlighted skill improvement, Core Competency, Managerial Competency and Functional Competency.

###### **(1) MBK Core Course**

The Core Course emphasizes on behavioral and attitude reinforcement toward Organization Culture, SMOOTH<sup>®</sup>, the specific program including Corporate Culture, Organization Achievement and Business Plan Advantage of an Organization.

###### **(2) Managerial Course**

Enriching Resources, Administration and Management skill, the program is launched for Administrators and Managers in order to control and manage a good work result, team player and organization within a leader vision to get along with adaptive change which can be divided in 3 categories as followed:

- **Leader of Change**
- **Decisiveness**
- **People Development**

### (3) Functional Course

The Functional Course perspective is to integrate resources, understanding and skills for each certain employee. The course marks on specific responsibility and duty of employees by utilizing Training and OJT as tools.

### (4) Master and Bachelor's Scholarship

The Company adopts a strong willing to increase employees' competency and multiple their performances to handle with shift able technology and finally create ultimate advantages. Master and Bachelor's Scholarship such as Technical Scholarship and Business Scholarship was given domestically to efficient employees so that they can utilize resources to enhance the company potential.

## 6.4.3 PREPARING PERSONNEL

### 6.4.3.1 Succession Plan

The Company had prepared employees to meet both the present and future demand to handle with the business expansion by compiling Chief Executive Succession Planning and Individual Development Plan for employees, which are considered from functional competency, core competency and managerial competency that suits with present responsibility and future responsibility.

### 6.4.3.2 Performance Management System

The Company aimed at manager and employees of all level to be involved and understand target direction and expected results of the organization by brainstorming ideas, specify target and action plan together with organizational level, sector level and department level. This is to be certain that the performance and success of each individual will be part of the success of the organization.

Performance evaluations are set twice a year, mid year evaluation and at the end of the year evaluation. Moreover, the Company also applied Core and Managerial Competency evaluation with 360-degree style to use in the performance improvement and development plan as well as continuously help improve employees' competency to be better.

## 6.4.4 EMPLOYEE ENGAGEMENT

The Company is well aware that employee engagement is one important fact in exerting and dedicating oneself to work and this will help the Company to be outstanding and reach its goals. The Company had established Quality of Work Life management system by continuously taking care of the employees as well as encourage employees to be part in a specify privileges through the welfare committee. The Company had established Savings and Credit Cooperative and provident funds to build stability for employees. Moreover, the Company had organized activities that will strengthen love and engagement for employees' family such as Family Day.

## 6.4.5 LEARNING ORGANIZATION

The Company has established cultural organization development committee and Learning Organization Activities working group to help employees to become aware and be part of the activities. This is the techniques in moving and enhancing organization vision by setting Company's core value and continuously set up activities so that each individual in the organization can together put into practice. This will impact on behavior, which is said to be the standard of reaching the organization goals or vision. "Learning Organization" was established from all level of personnel's learning and then knowledge is shared with each other and within the personnel, together with gaining knowledge from outside. The primary purpose of this is to give opportunities in seeking the best practice to use it in developing and building strong knowledge base of the organization which will be in time to the change and stability growth in a fierce business competitive and to achieve the vision of the organization and be the Learning Organization. We should have believes and hold on to the values and ways in practicing together which we called SMOOTH<sup>®</sup>

#### Service Mind

Service mind, primarily emphasizing on customer

#### Merit & Integrity

Perform duties in a transparent manner, behave appropriately and adhere to the ethics principle.

<b>Ownership</b>	Love and proud of the organization, hold conscious of being the owner of the work.
<b>Openness</b>	Ready to be open-minded, listen, be open-minded and communicate openly.
<b>Teamwork</b>	Establish outstanding teamwork for the same goal.
<b>High Commitment</b>	Determined and dedicated to work and efficiently responsible for work assigned.
<b>Continuous Learning</b>	Learning creatively, continuously and systematically seeking new knowledge and self-development. Have the courage to change for a new way of working or new working system, which will enable the organization to grow and develop without limits.

Apart from behaving themselves to set a good example which is in line with the above-mentioned SMOOTH<sup>®</sup> values, the leaders or staff at the executive level should adhere to a set of leadership values called “L D P”, which will help them guide and lead their teams to the achievement of the organization goals. These additional values are as follows:

<b>Leader of Change</b>	Act as the change agent, lead with positive attitudes and vision as well as acceptable to all staff.
<b>Decisiveness</b>	Confident, have courage to make decisions based on knowledge, reasons and timely.
<b>People Development</b>	Develop ethical and competent staff. Give opportunities to others to grow in their career

In addition, the Company sees the importance of developing its personnel to become good citizens and participate in the development of corporate social responsibility on the basis of good corporate governance policy, as a framework to which the executives and the employees adhere.

Moreover, the Company had used Knowledge Management (KM) as one of the strategy, emphasizing on learning and developing of personnel to be in time with the expanding of business and to become Learning Organization (LO). The knowledge management committee, the representative of Chief Executive from each division, works together in carrying out the KM to manage knowledge so that it will develop in the same path and are compatible throughout the organization. Operating plan were set to create body of knowledge database (Km Website) to enhance culture in exchanging knowledge through activities such as KM Session and KM Corner for the purpose of continuously learning and to expand the cycle of exchanging knowledge which will increase competency and develop group and organization personnel level.

## GOOD CORPORATE GOVERNANCE

The Company's Board of Directors places strong emphasis on making the Company's business management appropriate, transparent, fair and accountable. The Company established a good corporate governance policy which was in line with the rules and principles of good corporate governance of the Stock Exchange of Thailand and Thai Institute of Directors which will bring about transparent business management and control as well as stability for the Company's business operations.

In 2003, the Company established a good corporate governance policy which was in line with the 15 principles of the good corporate governance promoted by the Stock Exchange of Thailand. The Company also prepared handbook on business ethics and the code of conduct for directors, executives and staff. The written information was disseminated to all the Company's executives and staff for compliance.

In 2010/2011 the Company's Board of Directors has considered to review and improve the good corporate governance policy, the business moralities, the committee ethics, the management ethics and the staff ethics. They were completely improved in according to a good corporate governance policy for listed company of The Stock Exchange of Thailand principles. The policies consist of the recommended best practices under the five categories as follows:

1. Rights of Shareholders
2. Equitable Treatment of Shareholders
3. Consideration of the Roles of Stakeholders
4. Information Disclosure and Transparency
5. Responsibilities of Directors

The Company has prepared handbook on its corporate governance policies and code of business conduct of MBK Public Company Limited. The contents include the good corporate governance policies, the code of business conduct, the code of ethics for directors and executives, and the code of ethics for employees. They have been given to all directors, executives and employees for their information and practice. The information, knowledge and the related news on the corporate governance are also distributed to the executives and employees regularly through the Company's internet and website. The orientation activities which are organized for new executives and employees also cover the topics on corporate governance as well as code of ethics for executives and code of ethics for employees for their information and practice guidelines. Moreover, when the Company makes their investments in various areas of businesses, it has applied the principles of good corporate governance to the business operations of those subsidiaries. The Company's Board of Directors is mainly determined to conduct all the Company's business affairs in an appropriate, transparent and fair manner. The adherence to the principles of good corporate governance will not only enhance the confidence of all concerned, including its shareholders and stakeholders, but also will add value to the Company in the long term.

The corporate governance policy of MBK Public Company Limited covers the following practices:

- 1) Factors and responsibilities of the Company's Board of Directors which include with the following
  - 1.1 The composition of the Board of Directors
  - 1.2 Independent of directors
  - 1.3 Roles and responsibilities directors
  - 1.4 Tenure of directors
  - 1.5 The specific Committees
  - 1.6 Directors Meeting
  - 1.7 Separation of duties between the Board of Directors and the management
  - 1.8 Training and development of directors

#### 1.9 Self assessment of the Board of Directors

#### 1.10 Leadership and vision

#### 1.11 Remuneration of directors and senior executives

#### 1.12 Succession plan

- 2) Rights and equitable treatment of shareholders and the dividend payment policy.
- 3) Rights of the Company's stakeholders including customers, trading partners, competitors, creditors, employees, society, communities and the environment.
- 4) Information disclosure and transparency as well as investor relations.
- 5) Internal control and risk management.
- 6) Business ethics.
- 7) Conflicts of interest which include the supervision of use of inside information.

The Company's code of business conduct, code of ethics for directors and executives and code of ethics for employees cover the following practices and behaviors:

1. In the conduct of the Company's business affairs, the directors, executives and employees are required to comply with all the laws, rules and regulations. The compliance is beneficial to the overall management systems.

2. The directors, executives and employees have responsibility towards the Company's shareholders and treat them in an honest and equitable manner. For the convenience of the shareholders, the Company puts in place channels for the shareholders to file their complaints and to obtain information about the Company.

3. The directors, executives and employees have responsibility towards the Company's customers and treat them in a fair and equitable manner. The directors, executives and employees establish good relationships with the customers and provide them with correct information in a timely manner and keep confidentiality of their information. The Company also puts in place procedures for the customers to file their complaints and to give their opinions or suggestions about the management.

4. In their conduct of business affairs, the directors, executives and employees show their responsibility towards the Company's trading partners, competitors, and officials by behaving in an appropriate, equitable and fair manner within the established framework, rules and regulations and without seeking undue benefits for themselves. The Company also puts in place procedures for the trading partners, competitors and officials to file their complaints and to give their opinions or suggestions about the management.

5. The directors, executives and employees show their responsibility towards the society, communities and environment by giving their assistance and cooperation to the state, communities, society and environment, educational institutions and political activities within the constitutional framework. The Company puts in place management systems of occupational health, safety and environment in line with the legal requirements.

6. The Company has responsibility towards its employees and treats them fairly. The Company looks after their employees in areas of benefits, welfare, working environment, and safety at work. The Company encourages the employees to develop their knowledge and skills and to make progress in their careers. The Company puts in place procedures for the employees to file their complaints on various matters.

7. The Company encourages all employees to live corporate values and safeguard the organization, taking into account the interests of the organization or the public.

8. The directors, executives and employees are prohibited from abusing their authority in seeking information for their own benefits.

## THE KEY POINTS RELATED TO THE IMPLEMENTATION OF THE CORPORATE GOVERNANCE CAN BE SUMMARIZED AS FOLLOWS:

### 1. RIGHTS OF SHAREHOLDERS

The Company realizes that each shareholder is the owner of the Company. As a result, it places emphasis on the appropriate maintenance of the shareholders' basic rights as stipulated by the law as well as other rights as deemed appropriate. These rights include, among others, to right to participate in the meetings of shareholders to be informed of the Company's performance and the right to receive a share of profit/dividends. The shareholders are provided with convenience to exercise their various rights such as proposal of agenda items, proposal of candidates for appointment as new directors, sending their questions about the Company prior to the shareholders' meetings, as well as the right to vote on agenda items under which a resolution needs to be adopted, with the understanding that the voting rights of all the shareholders will depend on the types of the shares they own. The Company has also established an investor relations unit responsible for providing the shareholders with the convenience to exercise their rights on various matters. Moreover, the Company has established the following policies in compliance with the principles of good corporate governance.

#### 1.1. SENDING THE NOTICE OF MEETING TO THE SHAREHOLDERS

The Company has assigned Thailand Securities Depository Company Limited to send the notice of the meeting to the shareholders, both in Thai and English. The shareholders can use them as supporting information in making voting decisions on various matters. For example, under the meeting agenda, each agenda item clearly specifies the purpose and gives the opinion of the Board of Directors. As well, the notice of the meeting includes an annual report, financial statements annual report of MBK Public Company Limited and other related documents as well as the proxy statement. The notice of the meeting and the documents are sent to the shareholders whose names are on the share register not less than 14-21 days in advance. In addition the notice is posted on the Company's website not less than 30 days in advance and posted on newspapers for no fewer than 3 consecutive days prior to the meeting in order to allow the shareholders to prepare for the meeting in advance.

However, for the 2012 AGM meeting the Company sent an invitation letter to shareholders 14 days in advance and publish the invitation letter along with other relevant documents on the Company's website 30 days prior to the meeting. The purpose is to enable the shareholders to study the information before the meeting. Taking into consideration the convenience of shareholders in attending the meeting, the Company fixes appropriate date, time and place of meeting. In case any shareholders are unable to attend the meeting, they may appoint proxy holders to attend the meeting on their behalf, using the proxy statement provided by the Company. Or they may wish to appoint two independent directors proposed by the Company as their proxy holders. In voting on various agenda items, one share is equal to one vote.

#### 1.2. SETTING THE ANNUAL GENERAL MEETING

The Company holds an annual general meeting of shareholders within four months from the end of its accounting period. In case it is urgent for the shareholders to consider special agenda items, an Extraordinary General Meeting of Shareholders will be held. The special agenda items include matters that may affect the interests of the shareholders or those that are related to the conditions, rules, laws or articles that need approval by the meeting of shareholders. During For the Year 2012, the Company organized an Annual General Meeting of Shareholders on April 10, 2012 in Jamjuree Ballroom, Mezzanine Floor, Pathumwan Princess Hotel, Bangkok. In this connection, the Company provided the shareholders with convenience in an equitable manner. It put in place staff to welcome and look after the shareholders. For efficiency and the convenience of the shareholders, it made use of the barcode reader in registering the attendance of the shareholders. To check and verify the attendants' supporting documents, the Company started accepting registrations three hours before the meeting and stopped accepting registrations just before the last agenda item of the meeting is considered.

All 11 members of the Board of Directors participated in the Annual General Meeting of Shareholders. Among them were the Chairman of the Audit Committee and the Chairman of the Nomination and Remuneration Committee. As well, all its senior executives and its auditor attended the meeting.

Ms. Suporn Roupitiwongkul, a certified public accountant, who was an independent auditor and did not hold any share of the Company, served as a neutral party in checking and counting votes. At the meeting, the Chairman conducted the meeting in compliance with all the requirements imposed by the law. He provided the shareholders with clarifications on all the meeting procedures including vote counting methods and the exercise of voting rights. The Chairman also provided the shareholders with a report on the Company's annual performance and other agenda items. Under each agenda item, the Chairman gave the shareholders an opportunity for giving opinions and suggestions as well as asking questions. In response to the questions, the Chairman and the executives gave the shareholders appropriate answers and explanations. The shareholders were requested to vote and adopt resolutions on all agenda items. In appointing new directors, the Company made arrangements for the shareholders to vote on each candidate separately. In this connection, the shareholders could also propose candidates for appointment as directors through the Company's website prior to the date of the meeting of shareholders. As well, they could propose additional candidates at the meeting. The minutes of the meeting were also accurately kept.

The Annual General Meeting of Shareholders 2012 took about two hours and thirty minute. Following the commencement of the registrations at 12.30 pm., the meeting started at 14:15 pm. and closed at 16.45 pm.

### **1.3. ACTIONS UNDERTAKEN AFTER THE MEETING OF SHAREHOLDERS**

The Company submitted the report of the voting result during the AGM to the Stock Exchange of Thailand (SET) within 1 day since the meeting was adjourned and also submitted the minutes of Annual General Meeting of Shareholders to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission within 14 days after the date of the meeting concerned. As well, the video recordings of the meetings are available on the Company's website (<http://www.mbk-center.co.th>). The purpose was to provide the shareholders with convenient access to the information.

## **2. EQUITABLE TREATMENT OF SHAREHOLDERS**

The Company places very strong emphasis on the equitable treatment of all the shareholders. As a result, it has included the upholding of the rights of shareholders and the equitable treatment of shareholders in its policies on the good corporate governance, the Company's performance, voting on appointment or removal of directors as well as dividend payments, proposing additional items to the agenda, and asking questions or giving opinions on various matters which the Board of Directors brings to the attention of the shareholders for information or consideration. Although some shareholders might not be able to attend the meeting, they can appoint other persons or the independent directors who are proposed by the Company to attend the meeting on their behalf by filling in the proxy statement sent by the Company together with other supporting details. To provide the shareholders with convenience, the Company also makes available the proxy statement as well as the related details and procedures on the Company's website 30 day prior to the meeting, from which the shareholders can download the form and the information. The shareholders can obtain additional information from the Company's investor relations unit.

All shareholders also have access to the information about the Company through various channels or sources such as its website (<http://www.mbk-center.co.th>), annual reports, Form 56-1 or the investor relations unit. In addition the Company has set up the investor relations unit to communicate with investors, shareholders and all stakeholders. The investor relations unit can be contacted by the following contact information:

### **CONTACT PERSON AND ADDRESS OF THE COMPANY'S INVESTOR RELATIONS UNIT:**

Mr. Sakchai Suthipipat  
MBK Public Company Limited  
8<sup>th</sup> Floor, MBK Center Building, 444 Phayathai Road,  
Kwaeng Wangmai, Pathumwan, Bangkok 10330  
Telephone : 0-2620-7120  
Fax : 0-2620-7000  
Email address : sakchais@mbk-center.co.th



### 3. CONSIDERATION OF STAKEHOLDERS' ROLE

The Company looks after various groups of stakeholders whether they are internal stakeholders or external of the company such as shareholders, customers, trading partners, competitor, creditors, staff at all levels, as well as society in general and the environment to ensure that the stakeholders will receive appropriate rights. MBK Public Company Limited the stakeholders interest and feel confident that their rights are always taken care of and to foster cooperation between the stakeholder groups. This is also another factor that will support the sustainable and stable growth of the Company.

Moreover, in 2011, the Company declared its intention to participate in the anti-corruption campaign "Private Sector Collective Action Coalition against Corruption". The campaign includes 7 organizations, Thai Institute of Directors, Thai Chamber of Commerce, Foreign Chamber of Commerce in Thailand, Thai Listed Companies Association, Thai Banks Association, and Federation of Thai Capital Market Organizations, in order to declare its intention to operate a transparent business, and stand against corruption with the consideration of the utmost benefits of all stakeholders.

In order that, the details of related policies which the Company established to the Board of Director, the Executive Management and all of staff in order to treat to the stakeholders unless the shareholders are as follows:

#### 1) CUSTOMERS

The Company realizes that it is important for its customers to feel completely satisfied. This is because the Company's success depends on the customer satisfaction. To win customer confidence in its services, the Company needs to treat every customer fairly. The following policies and measures have been undertaken.

1. The Company honors all the terms and conditions agreed upon with the customers. In case it is not possible to honor any terms and conditions, the Company will try to find a satisfactory resolution or make necessary adjustments.
2. The Company treats all customers fairly and equitably.
3. The Company always keeps good relation with the customers.
4. The Company takes good care of the customers, taking into consideration their safety.
5. The Company provides the customers with accurate, adequate and timely information. It keeps the customers' information confidential. It will not use the customers' information for one's own benefit or for the benefit of the related parties.
6. The Company puts in place a system or process, through which the customers can file their complaints or give their suggestions about its services.

In 2012, no complaint was filed. Moreover, the Company undertook the following activities in line with the established policies.

- Organized "Car Boot Swap" to allow people to exchange items and forbid any sale. In the event there were activities such as toys for ice cream, used paper for Chang folders, or items for eggs.
- "Orange Blessing for tenants" Activity was held to tie relationship between entrepreneurs in the shopping center.

#### 2) TRADING PARTNERS, COMPETITORS AND CREDITORS

In conducting its business affairs, the Company takes into account the benefits of its trading partners, competitors and creditors. It treats them equitably and fairly, in the best interest of the Company and based on the principles of righteousness and suitability as well as the business relationship. The following are the Company's practice guidelines.

1. The Company's conduct of business affairs is under the framework of fair competition rules and in line with the good culture and tradition.
2. The Company honors all agreements, terms and conditions, as well as rules and regulations. If it is not possible to honor them, the Company will try to find a satisfactory resolution or make necessary adjustments.
3. The Company places emphasis on treating these stakeholders appropriately, equitably and fairly.

4. The Company does not ask for or accept or pay any undue benefits dishonestly. The Company also does not violate confidentiality. As well, it will not attempt to gain access to trade secrets in a dishonest manner.
5. The Company puts in place a system or process, through which its trading partners, competitors and creditors can file complaints.

In 2012, no complaint was filed.

### 3) SOCIETY, COMMUNITIES AND THE ENVIRONMENT

The Company has always been committed to operating its business in a manner that shows responsibility towards society, communities and the environment. As part of its efforts, it takes actions that are of benefit to the society and communities. In particular, it complies with the building standards and requirements imposed by the authorities concerned. It has adopted the policies and measures as follows:

1. The Company complies with the laws as well as rules and regulations related to the environment.
2. It gives assistance to and cooperates with state agencies, communities, and educational institutions in their activities. The Company assists in preserving the local customs and traditions of the communities in which the Company and its offices are located. It also encourages its subsidiaries to adopt the same policy.
3. The Company encourages staff of the Company and its subsidiaries to be mindful of their responsibility towards society, communities and the environment.
4. The Company puts in place a system or process, through which complaints can be filed.

In 2012, no complaint was filed. Moreover, the Company undertook the following activities in line with the established policies.

#### Health-related activities, such as:

- The Company, in corporation with Mission Hospital, organized a free healthcare check for clients who brought mothers with them. The health check included the bone mass, or fasting blood sugar, etc.
- The Company, in corporation with Mission Hospital, organized a free healthcare check in the occasion of Father's Day for clients who brought fathers with them. The health check included the blood pressure level, body composition, sugar level, or blood cholesterol, etc.
- "World Breast Cancer" Activity was established to introduce Breast Cancer's self check up including Breast Cancer Festival and Lingerie Donation to starvation.
- "The 3<sup>rd</sup> Adventist Health Expo" was a total free check up for fundamental check up, Electrocardiography, Eye Care Measurement, Bone Mineral Density Measurement and "Natural Therapy" Fair.
- "Safe Love by Condom" Activity was held to publicize information and the present situation about sexual transmitted disease and AIDS to people and to encourage them to protect themselves from such symptoms in the right direction.
- "World Kidney Day" Activity's purpose is to promote healthy kidneys by broadcasting informative brochures to people.
- "World No Tobacco Day" Activity was held to encourage and implant non-smoking attitude to people as well as inform fatal effects of smoking.

#### Activities for society and communities, such as:

- "The Immigration Rehearsal of Fire and Earthquake Incident" was held to prepare for protection and emergency at MBK Center, 2012.
- "LOVE 2 SHARE PETS FUNNY CHARITY SHOW 2012" Activity was held to fund the project, "LOVE 2 SHARE GO TO SCHOOL", aiming to implant a good attitude for pet care in youth.

- [ “Safe Travel for Kids from Kind Adults” Activity was held to encourage importance of children’s safety and arise the safe footpath issue.
- [ “Thai Tuk-Tuk to Take Care of tourists” Campaign was raised to alarm criminal rate according to Community Policing. The policy involves tri-cycle services, taxis and people nearby to work as one. They can help police by reporting skeptical incidents that happen to tourists, both Thai and international.
- [ “3E For KIDS” Activity brought children a good opportunity to act and perform in the right way.
- [ “MBK Rally Charity Tour” Activity opens for all entrepreneurs in the Shopping Center to donate stationery and sport equipments.
- [ The company, in collaboration with Culture, Sports and Tourism Department conducted “Bangkok Cartoon Festival 2012” to create reading habits to youth and people.
- [ “Fullfill...Build a Happy Community” Project was operated to renovate ancient pavilions, paths at Tientawai temple, Pathumthani.
- [ Youth and No More Drugs Activity
  - ▶ Hello! Korea by MBK, Korean cover dance
  - ▶ YYT Street Challenge 2012
  - ▶ J-TREND IN TOWN for J-Pop music enthusiasts

**ACTIVITIES FOR PROMOTING ARTS AND CULTURE**, such as:

- [ “MBK Fight Night” Activity was held to serve boxing lovers: Thai, Traditional Thai and international boxing.
- [ “THAILAND ARTS AND CULTURE FESTIVAL” was the rare grand showcase of Thai culture focusing on Chakrok Kon, human puppets, Kongrand parade, stores and rare rural workshops.
- [ “Puppet and its shadow in the stream” reflected traditional puppet show which should be preserved since Ayutthaya such as Se-ma puppet crew, Porchang, Hua Chiew Human Puppet, Lakorn Lek from Bangluang canal, Faculty of Apply and Fine Arts, Chulalongkorn university.
- [ “Gossip Market” Activity was the idea-surrounded market for individuals and unique people. There were handmade, idea-sparkling gadgets and good music and good artists.
- [ “Disco Loy Krathong Jikko Lang Wang” Activity was organized to reinforce Loy Krathong ceremony under the concept, 60-70 vintage gangster. There were the young gangster contest for kids aged 3-11, grocery stores, vintage photoshoot, Krathong workshop, prediction luck, Ko Klong Kee and 2 outdoor films per day with live soundtrack.

**EDUCATIONAL ACTIVITIES**, such as:

- [ “This Summer Power of Music” Activity was the creative music contest for university students in the 3<sup>rd</sup> Triple H Music including Contemporary band, local band, artists from Triple H Music.
- [ “Rapid Ride” Activity was held to support university students from Faculty of Communication Arts, ABAC. Fixed-gear, festival, fashion show and games were offered.

**ENVIRONMENTAL ACTIVITIES**, such as:

- [ The Company promoted the use of degradable plastic bags instead of the normal plastic bags. It also launched a campaign aimed at encouraging people to use cloth bags in replacement of plastic bags.
- [ The Company has set aside additional spaces in front of MBK center to build a green wall for the purpose of reducing the pollution for the surrounding communities.

- Installing Deep Shaft Waste Water Treatment System which is a standard system to treat waste water in MBK Center building by reusing the treated water in cleaning the area around the building, the parking space and in the Cooling Tower system.
- Controlling the air quality within the Shopping Center by measuring the air quality annually.
- Collecting sample water for the lab to test for Legionella Bacteria for every 4 month.
- Evaluating the quality of water supply in every 3 month.

#### 4) EMPLOYEES

The Company is aware that employees are the valuable assets and essential to the Company's achievement. The Company hopes that the employees will feel proud in the organization and have an equal opportunity to progress professionally and all are given a chance to continuously develop their skills. Therefore the Company has adopted the following guidelines in regards to its employees:

1. All employees shall be treated with equality and without prejudice.
2. The Company shall support and promote activities that allow employees to feel proud in the organization as well as strengthen the relationship among employees and between employees and that organization.
3. The Company shall provide fringe benefits for employees such as provident funds, healthcare and safety in the working environment.
4. The Company shall support and promote the development and professional progress of employees.
5. The Company shall set up a system and procedure that allows employees to file a complaint in case of injustice.

In 2012 there was no complaint from any employee. The Company also organized the following activities consistent with the policy:

- The Company, in corporation with Hua Chiew Rescue Center, Hua Chiew Hospital, organized a training course for "First Aid and Resuscitation" for employees to understand more about the first aid principles.
- "9<sup>th</sup> MBK Karaoke Fun" activity to strengthen the relationship among employees and encourage them to express themselves in a creative way.
- The Company organized "MBK Birthday Party" for executive staffs and employees whose birthdays fall on each month.
- The Company set up a budget for training sessions for all levels of employees.
- Welfare Establishment for employees' uniform, medical fee, insurance, health and accidental insurance.
- Providing training courses in various topics to develop the knowledge, ability and attitudes of employees in all levels:
  - ▶ MBK Service Standard
  - ▶ Basic Knowledge of Energy Management
  - ▶ Knowledge Management
  - ▶ Basic First Aid
  - ▶ How to Prevent and Distinguish Fire
  - ▶ Basic knowledge of fundamental standard (ISO 9001:2008)
  - ▶ Building Organization Culture Activity (Building MBK Culture : SMOOTH<sup>®</sup>)
  - ▶ Competency-Based Management
  - ▶ Social Security Knowledge

- ▶ Preventing Disasters and Bomb Danger
- ▶ Enhancing Security's Capability (Traffic Volunteer)
- ▶ Usage of Instant Open Office and Other Programs

#### THERE WERE ALSO ADDITIONAL TRAININGS FOR EMPLOYEES IN EXECUTIVE LEVELS:

- ▶ Rope Course for Executive Staff Development
  - ▶ Good Corporate Governance Evaluation Criteria
  - ▶ BSC: Strategy for Management
  - ▶ Connected transactions and asset acquisition and disposition transactions
  - ▶ Presentation Skill for Manager
  - ▶ Media Interview Technique
  - ▶ Internal Quality Audit for Executive
- Giving scholarships to employees in bachelor and master degree level every year to promote employees' professional progress.
- Setting up the Occupational Health and Safety at Work Environment committee by selecting employees' representatives to be responsible for the Company's occupational health and safety at work environment.
- Setting up a budget for employees' activity club that allow them to spend time together and strengthen their relationship.
- Setting up a budget for various clubs as employees' relationship will be increase.
1. *Football Club* to promote exercise among employees and creating a bonding among employees in the company and the company's associates that could produce positive effects towards working performance.
  2. *Ta-Kraw Club* to promote exercise among employees and allow them to work as a team that would lead to creating a bonding among employees in the company and the company's associates.
  3. *Health Club* to encourage employees to make use of their free time by exercising for health and for the better working performance.
  4. *Fulfill Club* to encourage employees to make use of their free time by planting good values and attitudes in sharing and giving to the underprivileged.
  5. *Book Club* to encourage employees to make use of their free time by learning from reading books, contemplating more ideas, developing their brains and helping them become more focus and have a better memory.
  6. *Photo Club* which is the center of employees who love taking pictures and travelling to get together and share their knowledge and experience and develop their photo-taking skill.
  7. *Music Club* is the center of employees who are interested in music. It is also an exchange terminal of knowledge and activity initiation.
  8. *We Love Movie Club* is the center of employees who love watching movies to get together and share their knowledge in movie which in turn will strengthen the relationship among employees within the organization

#### 4. INFORMATION DISCLOSURE AND TRANSPARENCY

The Company places strong emphasis on disclosure of its information. In this connection, the Company has adopted a policy on equitable disclosure of a policy on equitable disclosure of key information both financial and non-financial, to shareholders and stakeholders in a complete, timely and reliable manner, in both Thai and English, through various channels as follows:

4.1 Through annual reports and the Company's website (<http://www.mbk-center.co.th>) The disclosed information covers all areas in line with the practice guidelines given by the Stock Exchange of Thailand for directors. The information includes, among others, the following:

1. Financial statements, notes to the financial statements, and financial statement analysis as well as the report on the responsibility of the Board of Directors towards the financial report together the report of the auditor in the annual report.
2. Report of the Audit Committee.
3. Related party transactions.
4. Policy and report on corporate governance.
5. Composition of the Board of Directors, their profiles showing experiences which are of benefit to the Company's business performance, as well as the role, duties and responsibilities of the Board of Directors and committees on various specific areas, in addition to details on the meeting attendance of members of each committee.
6. Policy on remuneration for directors and senior executives, both in cash and other fringe benefits, as well as information about compensation for directors, members of various committees, and senior executives, (Notes: As regards directors and members of various committees, the Company will disclose details about the compensation of each person.).
7. Shareholdings of directors and senior executives.
8. Organizational structures of the Company and its subsidiaries.
9. Vision and mission statements.
10. Internal control and risk management.

4.2 Website of the Office of the Securities and Exchange Commission (SEC). In full compliance with the requirements imposed by the Office of the Securities and Exchange Commission (SEC), the Company has disclosed all the information and various developments. The information is disclosed to members of the general public through SEC's website such as Annual Report, Report of 56-1, Financial Statement. This includes, among others, related party transactions and details about company share holdings of the directors.

4.3 The Company has established an investor relations unit responsible for disclosing information to shareholders, investors, and stock analysts through its website ([www.mbk-center.co.th](http://www.mbk-center.co.th)) under the tab entitled Investor Relations. The available information includes the information sent to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission, information about the Company's shareholders, analyses, as well as its quarterly investor magazine entitled "MBK Today" which contains information such as the Company's quarterly performance, share price movements, businesses of MBK Group's member companies and the Company's activities in the past quarter. The information on the website is regularly updated. The objective is to enable investors and interested members of the general public to have efficient and equitable access to the information.

Interested person can contact of the Company's investor relations unit at

Mr. Sakchai Suthipipat

MBK Public Company Limited

444, 8th Floor, MBK Center Building,

Phayathai Road, Wang Mai, Pathumwan, Bangkok 10330

Telephone number : 0-2620-7120

Fax number : 0-2620-7000

E-mail : [sakchais@mbk-center.co.th](mailto:sakchais@mbk-center.co.th)

Homepage : [www.mbk-center.co.th](http://www.mbk-center.co.th)

## FILING COMPLAINTS AND REQUESTING FOR INFORMATION

In conduct its business affairs, the Company has adopted a policy which takes into account the satisfaction of all stakeholders. They can file complains, make suggestions, or request for information as well as sharing news, leads, and clues or giving information about the Company through its various channels such as web-based Intranet, through its various channels, both internal and external, such as web board, Internet, television or written

The related contact details are as follows:

1. Call center phone number : 0-2620-9000
2. Website : www.mbk-center.co.th
3. Email address of the investor relations unit : sakchais@mbk-center.co.th
4. Complaint boxes :
  - ☐ A compliant box is placed in the office near the public relations department.
  - ☐ Complaint boxes are placed on all floors of MBK Center.

The Company has set up procedures in dealing with complaints from all groups of stakeholders. As part of its policy, it will keep all information about its customers and stakeholders confidential. The information includes complaints, suggestions, information requests, news, leads or clues about the Company. The Internal Audit is required to witness the opening of all the complaint boxes. The departments concerned will be requested to find solutions or make adjustments. In return, the Company will notify.

## 5. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

To manage the Company efficiently, the Board of Directors must consist of individuals with knowledge, expertise and work experience in different fields of endeavor. Importantly, they must be able to dedicate themselves fully to their work and act at all times in the best interest of the Company.

### 5.1 COMPOSITION OF THE BOARD OF DIRECTORS

- 1) The total number of members of the Board of Directors must be in line with the number specified by the meeting of shareholders. However, the number of the directors must be at least five.
- 2) The number of independent directors must account for at least one-third of the total members of the Board of Directors.
- 3) All directors must have proper qualifications and possess none of the characteristics prohibited under the Public Company Limited Act.
- 4) The appointment of directors must be transparent and clear. They must be appointed at the meeting of the shareholders or by the Board of Directors in case the director post becomes vacant before the end of the tenure.

### 5.2 INDEPENDENCE OF THE BOARD OF DIRECTORS

The independent directors must possess qualifications as specified by the Company. The qualifications are in line with those prescribed in the notifications issued by the Office of the Securities and Exchange Commission. The related details are given on Page 77 under the subject entitled 'Management Structure'.

In 2012 , the Company had five independent directors, accounting for 45.45% of the Board of Directors. There names were as follows:

- |                                |               |
|--------------------------------|---------------|
| 1) Professor Paichitr          | Rojanavanich, |
| 2) Ms. Prakong                 | Lelawongs,    |
| 3) Mr. Pracha                  | Jaidee,       |
| 4) First Lieutenant Chatrachai | Bunya-Ananta, |
| 5) Ms. Panit                   | Pulsirivong.  |

### 5.3 EXECUTIVE DIRECTORS

Executive directors are those directors who participate in the management of the business, in line with the Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 Re: Application for and Approval of the Offer for Sale of Newly Issued Shares. According to the Notification, “Executive director” means any director who holds an executive position, or any director who is in charge of any actions deemed to be taken by executive, and shall include any authorized director except where it can be demonstrated that such authorized director signs on transactions which have been approved by the board of directors and jointly with other directors. In 2012, the Company had 1 executive director, accounting for 9.09% of the Board whose name was Mr. Suvait Theeravachirakul.

### 5.4 DIRECTORS AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY

The directors who are authorized to sign on behalf of the Company and whose names are specified in the Company’s Articles of Association include the following:

1. Mr. Suvait Theeravachirakul,
2. Mr. Hatchapong Phokai,

In signing on behalf of the Company, two directors jointly sign with the Company’s seal affixed.

### 5.5 RESPONSIBILITIES OF DIRECTORS

In considering the holding of directorships of its members, the board of directors takes into account the appropriate arrangements that will result in the highest efficiency possible for the Company. As well, the arrangements must add value the all groups of the stakeholders.

### 5.6 COMMITTEES ON SPECIFIC AREAS

The Board of Directors may appoint committees to perform some of its duties on specific areas. These committees assist the Board in carrying out some of its duties, conducting detailed studies, and checking things as deemed necessary and appropriate. These committees consist of the following:

- 5.6.1 The Executive Committee
- 5.6.2 The Audit Committee
- 5.6.3 The Nomination and Remuneration Committee
- 5.6.4 The Other Committees

The characteristics of the committees must be in compliance with the requirements stipulated by the Stock Exchange of Thailand. As well, the Board of Directors has clearly specified the scope of responsibilities of each committee. It also requires that the committees present their respective report at each meeting of the Board of Directors.

### 5.7 HOLDING OF DIRECTORSHIPS

The Board of Directors has considered the appropriateness of time allocation in carrying out the responsibilities of each director who is required to assume positions in various subsidiaries. The objective is to achieve the maximum efficiency possible in ensuring that each subsidiary adopts policies and conducts its business affairs in alignment with the parent company and that its business is beneficial and adds value to all groups of stakeholders. The fact that the directors assume positions in the subsidiaries also enhances the good relationships among the members of MBK Group. As a result, some directors may hold directorships in more than five subsidiaries.

### 5.8 SEGREGATION OF DUTIES BETWEEN THE BOARD OF DIRECTORS AND THE MANAGEMENT

The Company clearly defines and segregates the authority between the Board of Directors and the management at various levels. In addition, the Chairman of the Board of Directors and the Company’s President must not be the same person. As well, the Company clearly segregates the authority and duties of the Chairman and the President. The objective is to strike a proper balance in managing the Company’s business. The system in segregating the roles, duties and responsibilities between



the Board of Directors and the management is in line with the segregation principle that is based on the corporate governance policy. This includes systematic delegation of decision-making authority. The management is independent in making decisions and managing the business within the limits of the delegated authority. In this connection, the Company has prepared a handbook on the delegation of authority. It gives details about the roles and authority of the management and serves as its practice guidelines. The delegation of authority handbook will be reviewed as deemed appropriate for the conduct of the Company's business affairs, taking into account the prevailing situation. Moreover, the Board of Directors closely monitors the performance of the management.

## 5.9 TRAINING AND DEVELOPMENT OF DIRECTORS

The Company regularly pays attention to the training and development of the directors. All the newly appointed directors will be required to attend the orientation session which will provide them with adequate information about the Company before they start carrying out their responsibilities. The information includes the Company's vision, missions, strategies, goals, Memorandum of Association, Articles of Association, roles and responsibilities of the Board of Directors, policies on good corporate governance, code of business ethics, code of conduct for directors, information about the business of the related companies, as well as the related rules and regulations. All the directors will be regularly provided with training and additional knowledge. In particular, they will be required to participate in training courses related to the performance of their responsibilities as director. These courses are organized by the Thai Institute of Directors Association (IOD), the Stock Exchange of Thailand, Securities and Exchange Commission. The Company will regularly inform the directors of the details about these courses in advance. The training will enable the directors to carry out their responsibilities and look after the Company's business affairs in an efficient manner. The directors who have participated in the training courses organized by the Thai Institute of Directors Association (IOD) include the following:

Name of Directors	Name of Training Course from the Thai Institute Of Directors
1. Mr. Banterng Tantivit	- Director Accreditation Program (DAP) Course
2. Mr. Suphadej Poonpipat	- Director Accreditation Program (DAP) Course
	- Role of the Compensation Committee (RCC)
3. Professor Paichitr Rojanavanich	- Director Accreditation Program (DAP) Course
	- Directors Certification Program (DCP) Course
	- Audit Committee Program (ACP) Course
4. Ms. Prakong Lelawongs	- Director Accreditation Program (DAP) Course
	- Directors Certification Program (DCP) Course
5. Mr. Pracha Jaidee	- Director Accreditation Program (DAP) Course
	- Audit Committee Program (ACP) Course
6. First Lieutenant Chatrachai Bunya-Ananta	- Director Accreditation Program (DAP) Course
	- Directors Certification Program (DCP) Course
7. Ms. Panit Pulsirivong	- Director Accreditation Program (DAP) Course
	- Directors Certification Program (DCP) Course
	- Audit Committee Program (ACP) Course
8. Mr. Piyaphong Artmangkorn	- Director Accreditation Program (DAP) Course
9. Mr. Suvait Theeravachiraku	- Directors Certification Program (DCP) Course
	- Audit Committee Program (ACP) Course
10. Mr. Hatchapong Phokai	- Director Accreditation Program (DAP) Course
11. Mr. Atipon Tantivit	- Directors Certification Program (DCP) Course

In 2012, one of our committees participated in Role of the Compensation Committee (RCC) program from Thai Institute of Directors to support and inform the Board's resource.

#### **5.10 LEADERSHIP AND VISION**

The Company's Board of Directors has established clear vision and mission statements as well as business directions, policies, strategies and targets. They serve as guidelines for the management in formulating business plans and budgets as well as future business expansion plans in order to enable the Company to achieve sustainable growth and stability.

The vision of MBK Public Company Limited is "The leading company managed by professionals with continuous and stable growth by investing in steady return generated businesses with strong determination in producing wealth, reliability and trust for all related parties, in compliance with principles of Good Corporate Governance".

#### **5.11 COMPANY SECRETARY**

The related details are given on Page 81 under the subject entitled "Management Structure"

#### **5.12 THE COMPANY'S BOARD OF DIRECTORS HAS FORMULATED A SUCCESSION PLAN.**

The objectives are to ensure availability of qualified people for positions at the level of department head and above and to support the Company's business expansion. In implementing the plan, the efficiency and potential of executives will be assessed. As well, they will be required to participate in appropriate training and development activities which are aimed at enhancing their skills and knowledge. Their professional development will be closely monitored.

#### **5.13 REMUNERATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVES MANAGEMENT**

The remuneration of the Board of Directors is paid in the form of the meeting allowances, director allowances and gratuity. The directors who also serve as members of other committees such as the Audit Committee and the Executive Committee will receive additional payments as deemed appropriate and in line with the resolution adopted at the shareholders' meeting.

The payments of remuneration for senior executives are made in the form of monthly salaries, bonuses or other fringe benefits. The remuneration is based on the Company's performance as well as the performance of the executives concerned, taking into account the standard benchmarks in the same industry. The Company is required to disclose its remuneration policy and the remuneration of directors and senior executives in the annual report, in compliance with the notification issued by the Securities and Exchange Commission.

The remuneration of directors and senior executives for 2012 is disclosed on Page 85 under the subject entitled "Management".

#### **5.14 MEETINGS OF THE BOARD OF DIRECTORS**

The Company's various committees including the Board of Directors, the Executive Committee, and the Audit Committee plan their meeting schedules one year in advance. They are required to hold their meeting at least once a month. They may organize additional meetings as deemed appropriate, to consider special agenda items. The purpose is to acknowledge and monitor the Company's performance and business operations. The Company will send the notice of the meeting together with the agenda and supporting documents to each director before the meeting date so that the directors will have adequate time to read through the documents. At the meetings, the directors can give their opinions openly and independently. The minutes of the meetings will be taken and made available for the parties concerned for future reference. As regards the Compensation and Nomination Committee, their meeting will be held when the Company has to nominate directorships or when the President's performance has to be evaluated. For the 2012, the various committees regularly held their meetings within the scope of their prescribed duties.

MEETING ATTENDANCES OF THE MEMBERS OF THE COMPANY'S CURRENT COMMITTEES IN THE 2012 FINANCIAL YEAR

NAME LIST	MEETING ATTENDANCES OF THE MEMBERS (ATTENDANCES/TOTAL MEETINGS)			
	THE BOARD OF DIRECTORS (12 MEETINGS)	THE EXECUTIVE COMMITTEE (12 MEETINGS)	THE AUDIT COMMITTEE (16 MEETINGS)	THE COMPENSATION AND NOMINATION COMMITTEE (2 MEETING)
1. Mr. Banterng Tantivit	12/12	12/12	-	-
2. Mr. Suphadej Poonplipat	12/12	12/12	-	2/2
3. Professor Paichitr Rojanavanich	12/12	-	16/16	-
4. Ms. Prakong Lelawongs	12/12	-	16/16	-
5. Mr. Pracha Jaidee	12/12	-	16/16	-
6. First Lieutenant Chatrachai Bunya-Ananta	12/12	-	-	2/2
7. Ms. Panit Pulsirivong	12/12	-	-	2/2
8. Mr. Piyaphong Artmangkorn	12/12	12/12	-	-
9. Mr. Suvait Theeravachirakul	12/12	12/12	-	-
10. Mr. Hatchapong Phokai	12/12	-	-	-
11. Mr. Atipon Tantivit	12/12	-	-	-

**NOTE** The Board of Directors at present:

- The Executive Committee amount of 4 persons such as the name list 1, 2, 8 and 9
- The Audit Committee amount of 3 persons such as the name list 3, 4 and 5
- The Compensation and Nomination Committee amount of 3 persons such as the name list 2, 6 and 7

#### 5.15 SELF APPRAISAL OF THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE

Since 2004, the Company has made arrangements for annual performance appraisal of the Board of Directors and the Audit Committee. The Company prepared and improved forms for performance appraisal of the Board of Directors and the Audit Committee to be clearly evident and properly in line with the guidelines provided by the Stock Exchange of Thailand which has been regulated. The purpose was to reflect the efficiency of their performance and compliance with the good corporate governance principles. As regards the responses to the self appraisal questionnaire for each committee, each member of the committees was first required to answer the questions. Their responses would then be summarized. The criteria of the appraisal are calculated into percentage of total score of each item as follows:

Above 90%	= A (Excellent)
Above 80%	= B (Very good)
Above 70%	= C (Good)
Above 60%	= D (Satisfactory)
Below 60%	= F (Need improvement)

In the 2012 financial year, the results of the performance appraisal were as follows:

##### 1) Overall Performance of the Board of Directors

The Board of Directors received a score of 91.54% which was at the excellent level. The results showed better performances in all areas. Moreover, the directors had additional comments in each area as follows:

**┌ Strategy Setting and Policy Making :**

The Board of Directors agreed that strategy setting and policy making was in the excellent level. However, it should have training in accounting and financial statements.

**┌ Risk Management and Internal Control:**

The Board of Directors agreed that risk management and internal control was in the excellent level. However the Company should constantly bring the issues of risk management to the attention of the Board of Directors and Managing Directors in every 3 or 6 months, for example.

**┌ Board of Directors Meeting:**

The Board Committee's opinions marked that the overall performance was highly satisfying. However, the next conference should be well-prepared with documents in advance in order to make decision with more efficiency.

**2) AUDIT COMMITTEE'S PERFORMANCE**

An overall measurement was excellent. The Audit Committee had performed their tasks according to the guideline of Stock Exchange of Thailand so that the Company could maintain and improve its good corporate governance and credibility of its financial reports, internal audit system, risk management system, law and regulations and the prevention of corruption which can be described below:

**┌ The Audit Committee Composition:** The selected Audit Committee was independent directors whose experiences fit the certain duty and specialized in financial statements. All process was achieved professionally and accurately as The Audit Committee had abided by the written charter and always reported performance to the Board of Directors as well as reporting its activities done during the year to the shareholders in the annual report.

**┌ Meetings:** There has been a constant meeting at least once a month and special meetings on occasion. In the year 2012 there was a total of 16 meetings in which every director attended and received the meeting documents in advance. The Audit Committee who was a part of the interested party in any agenda would not express opinions on such agenda. Moreover, a meeting between the Audit Committee and internal auditors, without the presence of the management division, was also arranged while there was also a separate meeting between the Audit Committee and the management division.

**┌ The Audit of Internal Control System:** The Audit Committee was done with the internal audit department and auditors to evaluate the problems in the internal control and review the performance of the internal audit department and auditors in order to ensure that the performance of the Company was efficient there was also an evaluation of the effectiveness of the internal control system, the risk management system, data processing and safety in the computer system, the compliance of laws and regulations, the use of company assets and the follow-up system.

**┌ The Audit of Financial Statement:** The Audit Committee evaluated the accuracy of the financial statement, the compliance of the accounting standard, the important changes in the financial statement as well as skeptical items involving in the financial statement. The Audit Committee also reviewed the disclosure of the Company's information in case there was a related transaction or a transaction with conflict of interest to ensure that everything was correct and in order. There was also an audit on the letter expressing the responsibility of the management team on the

financial statement. The Audit Committee also worked with the management team and auditors in reviewing significant issues that may have an effect on the financial statement.

**■ The Relationship among the management team, auditors and internal audit department:**

The Audit Committee examined the clean independence of auditors and the internal audit department. To select an auditor, there were a review about the qualified performance of the auditor and accurate competency of the auditors and internal audit department. The Audit Committee also reviewed the approvals on appointments, transferring or terminating the contract of the head of the internal audit department as well as evaluated working performance and remuneration of the personnel within the internal audit department, the workforce and the budget of the department, the charter of the internal audit department, the performance of the standard internal auditing, the result of the performance. The Audit Committee also followed up on important issues found by the audit of the internal audit department and the Control Self-Assessment (CSA) of the internal auditors and the corporation between auditors and the internal audit department.

**■ Information and training:** The Audit Committee was given adequate information and trainings for fulfilling their duties efficiently. They were also constantly and systematically informed of news and information.

## INTERNAL CONTROL AND RISK MANAGEMENT

### INTERNAL CONTROL

The Board of Directors and executive Management was aware that the internal control system played a crucial role on planting confidence to the management team in terms of reducing business risks and helping the business run efficiently by suitably managing the resources to achieve the target goal.

The Board of Directors allowed the Audit Committee to supervise the internal control system, the risk management system, the corporate governance system, and the compliance of related laws, orders and regulations to prevent conflict of interest. Besides, related transactions are being operated to control the performance of subsidiary companies, the abuse of the assets of the company and subsidiary companies, and to protect the property of the company from being lost or abused and the rights infringement. The Company set up an auditing mechanism and balance by including the internal audit department who was independent in performing auditing work, evaluating performance and sufficiency of the internal control system, the risk management system and the corporate governance system in the performances of all units in the companies and its affiliates. They adopt the framework of COSO (The Committee of Sponsoring Organizations of the Tread way Commission) and Enterprise Risk Management in order to allow the Company's performances pursuing every aspect of effective and efficient work.

The management sector of the Company and Affiliated Company will bring evaluation result on process. Improvements and developments will be identified and the internal audit department will always follow up the Company performance.

Besides, the Board Committee evaluated an internal system control annually according to Securities and Exchange Commission (SEC).

In the year 2012 the Company did not find any significant problem in the Company's internal control system:

**■ CONTROL ENVIRONMENT:** The Company set up a good internal control environment by creating a clear and appropriate organization's structure and chain of command. The Company also set the business goal and key performance indicators to evaluate the efficiency of the operation. There was to be a manual on the use of authority and written manuals concerning the operation of every system so that they become a guideline in performing in line with the Company's objectives. The Company also emphasized the concept of good corporate governance among the executive members and employees by setting up policies concerning good corporate governance, business ethics, and the codes of conducts for directors and employees. The Company

set up the training activities annually to educate employees about transparent and just business operation for the benefits of all stakeholders.

**RISK MANAGEMENT :** The Company set up a risk management policy by having the Risk Management Committee supervise the operation of the Company's risk management and maintain the Company brilliant performance, cover all the risks in every work process by connecting the organization's objectives and strategies together. The risks could be categorized into the strategic risk, operational risk, financial risk, rules and safety risk. There was a management of risks remaining in the Company's compromising level. A report to the Risk Management Committee should be handed in every quarter and an annual reevaluation of the risk factors that could affect the organization.

**CONTROL OF THE MANAGEMENT'S PERFORMANCE :** The Company divided the responsibility of each position clearly and reviewed the use of authority manual and working methods as a suitable tool for the current structure and operation of the organization. There was also an evaluation of the performance to ensure that it was done according to the rules and regulations in the authority manual and working manuals. This was to guarantee that the operation was efficient and under an appropriate internal control system.

**IT AND COMMUNICATION SYSTEM:** The Company realized the importance of the IT and Communication System and always encouraged the improvement of the system to ensure that all information was accurate and up-to-date. An efficient and modern IT system was adopted to guarantee the safety of the information from the process of collecting, processing, storing and following-up to bring such information to advantage management work of the executive members and interested parties. This process should be carried out as a complete, accurate method and within an appropriate time so that it could be used in the business decision makings. There is also a policy regarding the security in the information technology and the use of information. Intranet function is initiated as an organization channel to broadcast policy, regulations and working manual and other bulletins.

In addition the Company assigned its secretary to take care of the preparing of information and meeting documents in advance including providing clear meeting minutes, summary of opinions and decisions of the meeting.

**TRACKING SYSTEM AND EVALUATION:** The Board Committee conducts an internal system that covers all fields : accounting, finance, working performance, law, regulation and property care and has the internal audit department gets in charge of this duty.

## INTERNAL SYSTEM CHECKING

The internal audit department is granted to work individually and accurately when checking on sufficient internal control system and following working performance flaw. They report directly to the committee to ensure the appropriateness and efficient state of the Company as well as managing the risk tendency of the Company in the satisfying level and principles of good corporate governance. Company operation is led under the code of conduct and morality of the internal audit department in the very clear facet. Their duties can be divided as followed:

- 1) Administrative and Management Checking
- 2) Regulation Checking
- 3) Operation Checking
- 4) Computer Checking

The internal audit department develops the internal system function to be as efficient as International Standards for the Professional Practice of Internal Auditing. Resources and universal standard must be the core quality to commit efficient performance. Consequently, business trainings, occupation specializations and examinations are established for them to acquire certificates.

## RISK MANAGEMENT

MBK Public Company Limited realizes the importance of risk management as an important mechanism and tool to help the organization achieve the target objective and goal. Therefore, the Company has set up a risk management policy that focuses on the improvement of the risk management system according to the good corporate governance guideline. There is also an integrated risk management that is implemented systematically and consistently throughout the organization.

In 2012, MBK Public Company Limited changed its organizational structure by having a separate management for different business groups. Therefore, the risk management level was also adjusted and leveled into MBK GROUP, Business Unit (BU), and Sub Business Unit (SBU).

In 2012 the Company implemented risk management in every level, which include MBK GROUP with 27 risks, Business Unit (BU) with 41 risks and MBK Center with 12 risks.

In Sub Business Unit (SBU), risk management has been implemented with MBK Resort Public Company Limited (“MBK-R”) and CLP Management Company Limited (CLP-M) in the fiscal year of 2009/2010 that the risk management plan has been executed since July 2011. In 2012, risk management was being developed for Paradise Park Company Limited (“PDP”), Paradise Retails Company Limited (“PDR”), MBK Guarantee Company Limited (“MBK-G”), T Leasing Company Limited (“TLS”), and Apple Auto Auction (Thailand) Company Limited (“AAA”). Risk management plan for PDP, PDR and MBK-G has been executed since July 2012.

Risks in all levels of the organization and may directly affect the business can be divided into 5 aspects:

1. **STRATEGIC RISK** is the risk in important strategies and policies of the Company. It could arise from an appropriate strategy or the operation by the strategy or the inconsistency of the policy, target, strategy, organization’s structure, the state of competition, resources, plan implementation and environment. However, the Company has always followed up on important strategies and plans that can affect the Company’ strategic goals.
2. **OPERATIONAL RISK** is the risk that could arise from every operation process. It covers all factors related to the process, tools, IT, and personnel that could affect the operation of the organization. However, the Company has set up a clear operational process and a measure to supervise the work of each unit that could cause a damage on the organization so that the operation can be correct and appropriate.
3. **FINANCIAL RISK** is the risk that could arise out of the ineffectiveness of budget, financial problems and risks that could affect the performance and financial status of the organization. The Company has always generated sufficient fund in time to reduce the risks that could affect the Company’s investments.
4. **COMPLIANCE RISK** is the risk that could arise out of the inability to comply by the related rules and laws. It could be that the rules and laws were not appropriate and become an obstacle to the operation. However, the Company has also considered the compliance by the rules within and outside the organization as well as important laws by supervising and examining the strict compliance by the related rules and laws.
5. **HAZARD RISK** is the risk that could affect the life safety of customers, tenants, employees and the organization’s property. The hazard could come from both internal and external factors. The Company has set up a policy and safety measure to strictly prevent such risk that could cause damage to the Company.

Additionally, in regards to the investments in different projects, the Risk Management Committee (RMC) in MBK Center has implemented a rule stipulating that the request for the approval of the budget exceeding 5 million Baht requires a risk analysis and an approval from the relevant directors. The Risk Management Committee (RMC) must always be informed to prevent any investment risk of the Company.

The Company continues to track the execution of risk management. All levels are required to submit a quarterly risk management report in order to reduce the risk to an acceptable level and allow the risk management plan to be reviewed and updated annually.

## CODE OF ETHICS AND CODES OF CONDUCT

The Board of Directors has made available the Code of Ethics and the Codes of Conduct for directors, executives and Company's staff. They serve as guidelines for all directors, executives and staff of the Company and its subsidiaries in carrying out their duties in honest, upright and fair manner. The purpose is to ensure that the Company's conduct of business affairs meets with the established objectives, taking into consideration the responsibility towards all groups of stakeholders including shareholders, customers, trading partners, competitors, creditors, staff, society, communities, as well as the environment. The codes also help enhance the positive corporate image that will bring greater stability to the Company. Adhering to the codes is also in line with the Company's good corporate governance principles.

In 2009, the Board of Directors improved the codes, making them clear and in line with the policy on the good corporate governance, which was also improved. The codes have been announced and the related compliance manuals have been prepared. Having been distributed to the directors, executives and employees of the Company as well as its subsidiaries, the compliance manuals serve as guidelines for performing their responsibilities. Newly recruited employees will be provided with training on basic code of ethics and codes of conduct, ensuring that they have a correct understanding and are able to put them into practice. The Company also regularly and continuously organizes activities aimed at providing all its employees with the knowledge about the codes and inculcating in them the consciousness of the codes.

## CONFLICTS OF INTEREST

The Board of Directors has adopted a policy and various measures that serve as guidelines for dealing with conflicts of interest. The policy and the measures are in compliance with the guidelines given by the Stock Exchange of Thailand. In this connection, all employees of the Company are required to take into consideration the best interest of the Company when they make business decisions. In addressing conflicts of interest, the employees have to consider carefully and adhere to the principles of honesty, integrity and rationality as well as independence within the framework of good ethics. The Board of Directors also ensure that complete information is disclosed, mainly in the best interest of the Company. In considering and deciding on matters which require approval, those with conflicts of interest or those who are involved in the matters under consideration are prohibited from participating in the process. At the meetings of the Board of Directors in the past year, if there was an agenda item in which a director might have a conflict of interest, the director concerned would refrain from giving opinions or voting on the item. In this connection, the Audit Committee is responsible for giving opinions on the related party transactions or any transactions which might involve a conflict of interest, in an appropriate and careful manner and in compliance with the requirements imposed by the Stock Exchange of Thailand. The information about the transactions has to be disclosed in the annual report.

As regards the transactions which might involve a conflict of interest, the Audit Committee will consider such transactions in an appropriate and careful manner and in compliance with the requirements imposed by the Stock Exchange of Thailand before proposing them to the Board of Directors for consideration and approval. The information about the transactions has to be disclosed in the annual report (Forms 56-1 and 56-2).

To follow the code of efficient Company, committees and executives have to report their advantages and disadvantages according to law and regulations. Also, they must send documents to the secretary of the Company as crucial information of the benefit control for the committees, executives, administrators and affiliated company.

In the year 2012, there was no event that showed inappropriate behavior or practice involving a conflict of interest.



## **SUPERVISION OF USE OF INSIDE INFORMATION**

The Company places strong emphasis on the supervision of use of inside information. As a result, it has adopted a policy on good corporate governance. As well, it has established its Code of Ethics and the Codes of Conduct. The directors, executives and staff are prohibited from using inside information for their own benefit by taking advantage of their positions. They are also prohibited from getting involved in either any business that competes with the Company or any other related business. As well, they shall not use inside information in trading the company shares for their own or others' benefit. The related details are as follows:

### **SUPERVISION OF USE OF THE COMPANY'S INSIDE INFORMATION**

The Board of Directors, executives or staffs who have access to inside information are prohibited from disclosing it to any third party or person who is not involved in the matter. They are also prohibited from using the information for their own benefit.

### **CHANGES IN SHAREHOLDINGS**

Members of the Board of Directors and executives including their spouses and minor children are required to prepare and disclose reports annually to the Securities and Exchange Commission (SEC) when there are changes in their holdings of shares in MBK Public Company Limited, in compliance with Section 59 of Securities and Exchange Act B.E. 2535.

### **TRADING OF COMPANY SHARES**

They are prohibited from trading the company shares before the financial statements are disclosed to the public. The Company issues a notification prohibiting the share trading every time before the disclosure schedule.

In the year 2012, there was no event that showed inappropriate behavior's supervision of use of inside information.



NAME-SURNAME /POSITION	AGE YEAR	HIGHEST EDUCATION	SHAREHOLDING IN MBK*		RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE				DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD	
			SHARES	(%)		NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED		IOD COURSE
2. Mr. Suphadej Poopipat Vice Chairman and Member of the Compensation and Nomination Committee	62	- Master of Science, University of Wisconsin, U.S.A.	-	-	-	9	4	-	2006 - Present 2003 - Present 2002 - Present 2007 - Present 2007 - Present 2005 - Present Sep 2012 - Present 2003 - Present 2005 - Present 2003 - Present 2006 - Present 2011 - Sep 2012 Sep 2012 - Present 2007 - Present 2010 - Present	- Vice Chairman of the Board of Directors - Vice Chairman of the Executive Committee - Member of the Compensation and Nomination Committee - Director - Director - Director - Vice Chairman of the Board of Directors and Chairman of the Executive Committee - Director and Chairman of the Executive Committee - Vice Chairman of the Board of Directors - Vice Chairman of the Board of Directors - Director - Chairman of the Executive Committee - Director - Director - Vice Chairman of the Board of Directors and Chairman of the Executive Committee - Vice Chairman of the Board of Directors - Vice Chairman of the Board of Directors and Chairman of the Executive Committee - Chief Executive Officer	- MBK - MBK - MBK - The subsidiaries and associates of MBK as shown on page 120-121 - Royal Orchid Hotel (Thailand) Public Company Limited - Thai Royal Orchid Real Estate Company Limited - Thanachart Bank Public Company Limited - Thanachart Insurance Public Company Limited - Thanachart Life Assurance Public Company Limited - Siam Piwat Company Limited - Siam Piwat Holding Company Limited - Patum Rice Mill and Granary Public Company Limited - Board of Directors - Thanachart Capital Public Company Limited - Thanachart Capital Public Company Limited	✓	DAP RCC	2004 2012	None

NAME-SURNAME (POSITION)	AGE YEAR	HIGHEST EDUCATION	SHAREHOLDING IN MBK*		RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE						DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD
			SHARES	(%)		NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED	IOD COURSE	(YEARS)		
3 Professor Paichit Rojanavanich Independent Director and Chairman of the Audit Committee	84	- MGA, Fiscal Policy, University of Pennsylvania, U.S.A - Higher Diploma in Accountancy (equivalent with the master's degree) Thammasat University Bachelor of Law, Thammasat University - College Diploma, National Defence Batch 25, Year 1982, National Defence College	-	-	-	2	3	Present	- Independent Director and Chairman of the Audit Committee - Independent Director and Chairman of the Audit Committee - Independent Director and Chairman of the Audit Committee - Chairman of the Board of Directors 1993 - Present 1985 - Present	- MBK - Muramoto Electron (Thailand) Public Company Limited - G Steel Public Company Limited - The Far East Law Office (Thailand) Company Limited - Karn Jean Company Limited	✓ ✓ ✓	ACP DAP DCP	2006 2004 2003	None		
4 Ms. Prakong Lelawongs Independent Director and Member of the Audit Committee	82	- Master of Business Administration, Pennsylvania University, U.S.A.	215,500	0.114%	-	1	1	2003 - Present 1993 - Present	- Independent Director and Member of the Audit Committee - President	- MBK - Alpha Business Center Company Limited	✓ ✓	DCP DAP	2005 2004	None		
5 Mr. Pracha Jaidee Independent Director and Member of the Audit Committee	57	- Master of Business Administration, Kasetsart University	-	-	-	2	1	2007 - Present 2006 - Present 2004 - Present 2004 - 2007	- Independent Director and Member of the Audit Committee - Director - Member of the Audit Committee - Advisor	- MBK - Batan Marble Company Limited - MBK Resort Public Company Limited - MBK Resort Public Company Limited	✓ ✓	ACP DAP	2007 2004	None		
6 First Lieutenant Chartrchai Bunya-Ananta Independent Director and Chairman of the Compensation and Nomination Committee	79	- Bachelor of Arts in Economics University of Wales, England - Management Technique Program, Harvard, U.S.A. - College Diploma, National Defence Batch 28, Year 1985/1986, National Defence College	-	-	-	2	4	2006 - Present 1998 - Present 1998 - Present Present 1998 - 2006	- Chairman of the Compensation and Nomination Committee - Independent Director - Chairman of the Board of Directors - Director - Director - Director - Member of the Audit Committee	- MBK - MBK - Royal Orchid Hotel (Thailand) Public Company Limited - The subsidiaries and associates of MBK as shown on page 120-121 - Dusit Thani Public Company Limited - Italian-Thai Development Public Company Limited - MBK	✓ ✓	DAP DCP	2005 2005	None		

NAME-SURNAME / POSITION	AGE YEAR	HIGHEST EDUCATION	SHAREHOLDING IN MBK*		RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE						DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD
			SHARES	(%)		NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED	IOD COURSE	(YEARS)	
7 Ms. Panit Pulsirivong Independent Director and Member of the Compensation and Nomination Committee	64	Honorary Degree of Director of Philosophy Faculty of Journalism and Mass Communication, Thammasat University	40,499	0.021%	-	3	1	3	2006 - Present	Independent Director and Member of the Compensation and Nomination Committee	- MBK	✓	ACP	2006	None	
								Present	Chairman of the Board of Directors and General Manager	- Naew Na Newspaper Company Limited	✓	DCP	2005			
									Executive Director	- World Express Company Limited	✓	DAP	2004			
									Managing Director	- Naew Na Network Company Limited						
									Director	- United Way of Thailand, Thailand, National Council on Social Welfare of Thailand						
									2008 - Present	Advisor	- Committee on Social Development and Children, Youth, Women, the Elderly, the Disabled and the Underprivileged Affairs of the Senate, Kingdom of Thailand					
										Advisor	- Administrative Office Bearers of the National Council on Social Welfare of Thailand					
									1989 - 2006	Independent Director and Member of the Audit Committee	- MBK					

NAME-SURNAME /POSITION	AGE YEAR	HIGHEST EDUCATION	SHAREHOLDING IN MBK*		RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE						DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD
			SHARES	(%)		NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED	IOD COURSE	(YEARS)	
8 Mr. Piyaphong Artmangkorn Director	55	- Master Degree, Public Administration (Taxation), University of Southern California, U.S.A.	-	-	-	1	1	-	1998 - Present 2006 - Present 2005 - Present 2005 - Feb. 2009 2001 - 2008 2000 - 2008 2005 - 2007	- Director - Member of the Executive Committee - Executive Vice President - Chairman of the Board of Directors and Chairman of the Executive Committee - Director - Director - Director and Executive Director	- MBK - MBK - Thanachart Bank Public Company Limited - Thanachart Securities Public Company Limited - Thai Royal Orchid Real Estate Company Limited - Royal Orchid Hotel (Thailand) Public Company Limited - Thanachart Capital Public Company Limited	✓	✓	DAP	2003	None
9 Mr. Suwatt Theeravachirakul Director and CEO	54	- Master of Business Administration, Wagner College, New York, U.S.A. - Chief Executive Program, Capital Market Academy (CMA), Classio	141,700	0.075%	-	63	5	1	2002 - Present 2002 - Present Present 2011 - Present 2007 - Present 2005 - Present	- Director and CEO - Member of the Executive Committee - President - Chairman of the Board of Directors and Director - Director - Independent Director and Member of the Audit committee - Independent Director and Member of the Audit Committee and Member of Risk Management Committee - Vice Chairman of the Executive Committee - Director - Director	- MBK - MBK - MBK - The subsidiaries and associates of MBK as shown on page 120-121 - Golden Lime Company Limited - IFS Capital (Thailand) Public Company Limited - Thai Rung Union Car Public Company Limited - Patum Rice Mill and Granary Public Company Limited - Royal Orchid Hotel (Thailand) Public Company Limited - Vachirachat Consultant Company Limited	✓ ✓ ✓	✓ ✓ ✓	SFE ACP DCP	2010 2006 2001	None

NAME-SURNAME /POSITION	AGE YEAR	HIGHEST EDUCATION	SHAREHOLDING IN MBK*		RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE						DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD
			SHARES	(%)		NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED COURSE	IOD (YEARS)		
10 Mr. Hatchapong Phokai Director	51	- Master of Business Administration, Chulalongkorn University	-	-	-	9	1	-	2000 - Present Present 2000 - 2007 1999 - 2004	- Director - Director - Director - Director	- MBK - The subsidiaries and associates of MBK as shown on page 120-121 - NFS Asset Management Company Limited - Thanachart Securities Public Company Limited	✓	DAP	2004	None	
11 Mr. Atipon Tantvit Director	36	- Master of Business Administration (Executive) Sasin Graduate Institute of Business Administration, Chulalongkorn University	645,000	0.342%	Mr. Atipon Tantvit is a son of Mr. Banterng Tantvit	10	1	-	2003 - Present 2000 - Present 2000 - Present 2000 - Present 2000 - Present 2000 - Present 2003 - Present 2003 - Present Present	- Director - Managing Director - Director - Director - Director - Director - Director - Director - Director	- MBK - B.V.Holding Company Limited - G.M.R.Company Limited - Kata Villages Company Limited - Learnsai Villages Company Limited - Phuket Development Company Limited - A.T. Design and Jewelry Company Limited - Thai Farming Company Limited - B.V. Company Limited - S.L.S Holding Company Limited - A.T. Venture Media Company Limited	✓	DCP	2006	None	

#### EXECUTIVE MANAGEMENT

1 Mr. Suvaith Theeravachirakul

President and CEO

The details of Mr. Suvaith Theeravachirakul was shown on the part of the Board of Directors' background

2 Mr. Pongsak

Sabdasen

Senior Executive

Vice President,

Office of President

-

-

-

3

1

-

2006 - Present

Present

2000 - 2006

- Senior Executive Vice President, Office of President  
- Director

- Senior Executive Vice President, Operation

- MBK

- The subsidiaries and associates of MBK as shown on page 120-121

- MBK

✓

DCP

2004

None

NAME-SURNAME / POSITION	AGE YEAR	HIGHEST EDUCATION	SHAREHOLDING IN MBK*		RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE							DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD
			SHARES	(%)		NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED	IOD COURSE	IOD (YEARS)		
3 Mr. Kasemsuk Chongmankhong Senior Executive Vice President, Finance and Administration	53	- Master of Accounting, Thammasat University	-	-	-	55	2	1	2003 - Present Present	- Senior Executive Vice President, Finance and Administration - Director	- MBK - The subsidiaries and associates of MBK as shown on page 120-121	✓		DCP	2004	None	
4 Mr. Sakchai Kengkijkosol Senior Executive Vice President, Operation	57	- Master of Business Administration, Chulalongkorn University	-	-	-	15	1	-	2006 - Present Present 2005	- Senior Executive Vice President, Operation - Director - General Manager	- MBK - The subsidiaries and associates of MBK as shown on page 120-121 - K K World Real Estate Company Limited	✓		DCP	2009	None	
5 Ms. Yupapun Paritranun Senior Executive Vice President, Internal Audit	48	- Master of Science, Chulalongkorn University - Certified Internal Auditor (CIA), The Institute of Internal Auditors, U.S.A.	12,500	0.007%	-	1	1	-	2009 - Present 2000 - 2009 2000 - Present 2004 - Present 2000 - 2003	- Senior Executive Vice President, Internal Audit and Acting Vice President Management Audit Department - Executive Vice President, Internal Audit - Acting Vice President, Management Audit Department - Director - Acting Vice President, Operational Audit Department	- MBK - MBK - MBK - MBK - MBK	✓		DCP	2005	None	



NAME-SURNAME / POSITION	AGE YEAR	HIGHEST EDUCATION	SHAREHOLDING IN MBK*		RELATIONSHIP	5 YEARS PREVIOUS WORKING EXPERIENCE				DETAILS OF TRAINING PROGRAM FROM IOD				ILLEGAL RECORD	
			SHARES (%)	SHARES		NUMBER OF POSITION IN PUBLIC COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN COMPANY LIMITED (COMPANY)	NUMBER OF POSITION IN LEGAL PERSON (UNIT)	PERIOD	POSITION	NAME OF COMPANY-AGENCY	DO NOT PASS	PASSED		IOD COURSE
6 Mr. Somboon Wongrasamee Senior Executive Vice President, Business Development	49	- Master of Engineering Oklahoma State University, U.S.A. - Master of Business Administration, NIDA	-	-	-	28	2	1	Present 2007 - Jul. 2012 Present 2006 - 2007 2005 - 2006 2003 - 2005	- Senior Executive Vice President, Business Development - Executive Vice President, Business Development - Director - Assistant Executive Vice President, Office of President - Siam Industry Company Limited - Senior Vice president Investment Department	- MBK - MBK - The subsidiaries and associates of MBK as shown on page 120-121 - MBK	✓	DCP	2003	None
7 Mr. Winai Sirichobtham Executive Vice President, Marketing	51	Bachelor's Degree of Science, Department of Physics, Faculty of Science, Srinakharinwirot University	1,000	0.001%	-	7	1	-	2009 - Present Present	- Executive Vice President, Marketing - Director	- MBK - The subsidiaries and associates of MBK as shown on page 120-121	✓	DCP 126	2009	None
8 Mr. Apichat Kamoltham Executive Vice President Legal Division	52	- Master of Law Ramkhamhaeng University - Barrister at Law, Thai Bar Association	-	-	-	36	1	-	Present 2007 - 2010 2005 - 2007	- Executive Vice President, Legal - Acting Vice President, Case & Juristic Person Department - Director - Vice President Case & Juristic Person Department - Vice President of Legal & Debt Collection Department	- MBK - MBK - The subsidiaries and associates of MBK as shown on page 120-121 - MBK - Navalasing Public Company Limited	✓	DCP	2011	None

NOTE \* Shareholding in MBK includes MBK's shares held by their spouse and minor child



BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT	COMPANIES								
<b>THE BOARD OF DIRECTORS</b> Mr. Banterng Tantivít Mr. Suphadej Poompipat Professor Paichitr Rojanavanich Ms. Prakong Lelawongs Mr. Pracha Jaidee First Lieutenant Chatrachai Bunya-Ananta Ms. Panit Pulsivong Mr. Piyaphong Artmangkorn Mr. Suvait Theeravachirakul Mr. Hatchapong Phokai Mr. Atipon Tantivít	Crystal Lake Properties Company Limited	x	/						
	C L P Management Company Limited	x	/						
	Plan Appraisal Company Limited	x	/						
	Lan Bangna Company Limited	x	/						
	Kathu Land Company Limited	x	/						
	MBK Residence Company Limited	x	/						
	MBK Real Estate Company Limited	x	/						
	Patum Rice Mill and Granary Public Company Limited	/							
	PRG Granary Company Limited	/							
	Ratchasirima Rice Company Limited	/							
	Sima Pac Company Limited	/							
	Innofood (Thailand) Company Limited								
	MBK Guarantee Company Limited	x	/	/	/	/	/	/	/
	Primacy Elegance Investments Limited	/							
	MBK Premium Company Limited	x	/						
	T leasing Company Limited	x	/						
	M G 1 Company Limited	x	/						
M G 2 Company Limited	x	/							
Max Asset Management Company Limited									
The Olympic Club Company Limited	x	/	/	/	/	/	/	/	
MBK Arcade Company Limited	x	/	/	/	/	/	/	/	
X-Gen Premium Company Limited	x	/							
M Racing Company Limited	x	/							
MBK Asset Company Limited	x	/							
Apple Auto Auction (Thailand) Company Limited	x	/	/	/	/	/	/	/	
MBK Advanced Company Limited	x	/	/	/	/	/	/	/	
MBK Training Center Company Limited	x	/							
MBK Broker Company Limited	x	/							
MBK Insurance Broker Company Limited	x	/							
Service Solution Company Limited	x	/							
Ma Boonkhrong Sirichai Enterprise Company Limited	x	/	/	/	/	/	/	/	
Puen Pob Paet Company Limited									
Grand River Place Corporation Company Limited	/								
Grand River Front Corporation Company Limited	/								
Grand River Park Corporation Company Limited	/								

**NOTE :**  
x= Chairman / = Director // = Chairman of the Audit Committee /// = Member of the Audit Committee ■ = Subsidiaries ■ = Associates

# CONNECTED TRANSACTION

In the past year, there were a number of connected transactions between MBK and its subsidiaries with connected persons which are already given the details of these transactions in the Financial Statements as of December 31, 2012. (Notes 041 Page 205) The additional information of connected transactions are as follows:

## 1. BIDDING OF THANACHART BUILDING BETWEEN MBK SQUARE COMPANY LIMITED (“MBK-SQ”) (BUYER) AND THANACHART BANK PUBLIC COMPANY LIMITED (“TBANK”) (SELLER)

1. Transaction date June 11, 2012
2. Details of involved parties

(Information as of date May 31, 2012)

LIST OF CONTRACT PARTIES BETWEEN MBK OR ITS SUBSIDIARIES WITH THE CONNECTED PERSONS	RELATIONSHIP		PORTION OF SHARE (% OF THE PAID-UP CAPITAL)	LIST OF DIRECTORS WHO ARE CONNECTED PERSONS
	STATUS TO MBK	SHAREHOLDERS		
1. MBK-SQ	A direct subsidiary	MBK	99.97%	1. Mr. Banterng Tantivit
2. TBANK	A direct subsidiary of TCAP which is a major shareholder of MBK	TCAP	50.96%	2. Mr. Suphadej Poonpipat 3. Mr. Piyaphong Artmangkorn
3. TCAP	A major shareholder of MBK	-	-	

### 3. Details of land and buildings at auction.

- 3.1 Location 5261 Prachasongkroh Road, Khwaeng Din Daeng, Khet Din Daeng, Bangkok
- 3.2 Total area 190 sq.wah (A land title Deed No. 26748, 26749)
- 3.3 Property Type Office building with three floors, 30 years, approximate built up area of 989 sq.m.

### 4. Transaction value

- 4.1 Bidding price (include vat) THB 34,300,000.00
- 4.2 The appraised land value by First Star Consultant Co., Ltd. On February 23, 2012 :
  1. Land value appraisal \* THB 30,400,000.00
  2. Building value appraisal THB 5,330,400.00
  - Total THB 35,730,400.00

\* Remark Land price is THB 160,000.00 per sq.wah

5. Necessity and reasonableness of the transaction

The Board of Directors and the Audit Committee have the same opinions that MBK Square Company Limited (“MBK-SQ”) had entered to bid of Thanachart Building, located at Huai Khwang II Branch, 5261 Prachasongkor Road, Khwaeng Din Daeng, Khet Din Daeng, Bangkok, with the land title Deed No. 26748, 26749 of Khwaeng Sam Sen Nai, Khet Bang Sue, Bangkok which total area 190 sq.wah is reasonable and fair. Due to the transaction price was appraised by an independent appraiser, approved by the Securities and Exchange Commission. Comparing with the appraiser three cases and similarly priced. In addition MBK-SQ can utilize as offices for expand its businesses.

**2. LENDING BETWEEN MBK LEISURE COMPANY LIMITED (“MBK-LS”) (BORROWER) AND MBK PUBLIC COMPANY LIMITED (“MBK”), AND MBK BUSINESS COMPANY LIMITED (“MBK-BUS”) (LENDER)**

1. Transaction date October 31, 2012
2. Details of involved parties

(Information as of date October 31, 2012)

LIST OF CONTRACT PARTIES BETWEEN MBK OR ITS SUBSIDIARIES WITH THE CONNECTED PERSONS	RELATIONSHIP		PORTION OF SHARE (% OF THE PAID-UP CAPITAL)	LIST OF DIRECTORS WHO ARE CONNECTED PERSONS
	STATUS TO MBK	SHAREHOLDERS		
1. MBK-BUS	A direct subsidiary	MBK	99.99%	1. Mr. Suvait Theeravachirakul
2. MBK-LS	An indirect subsidiary	MBK-BUS	49.00%	

3. Details of loan

- 3.1 Details of Lending
  - THB 26.00 Million
  - The outstanding balance as of September 30, 2012 THB 22.34 Million
  - The interest rate Based on MOR – 2.0% p.a. of The Siam Commercial Bank Public Company Limited (MOR currently is 7.425%)

3.2 Conditions of Lending

- (1) MBK and/or MBK-BUS will grant short-term loan to MBK-LS for working capital on call basis.
- (2) The interest rate bases on MOR of The Siam Commercial Bank Public Company Limited.

3.3 Reason of Lending

For MBK-LS working capital

4. Necessity and reasonableness of the transaction

The Board of Directors and the Audit Committee have the same opinions that MBK Public Company Limited (“MBK”) and/or MBK Business Company Limited (“MBK-BUS”) had entered to loan with the credit line of THB 26 Million on call basis to MBK Leisure Company Limited (“MBK-LS”), which the interest rate is based on MOR – 2.0% p.a. of The Siam Commercial Bank Public Company Limited (MOR currently is 7.425%) was fair and reasonable and it was expected to be beneficial for both parties.

# AUDIT COMMITTEE'S REPORT

DEAR SHAREHOLDERS OF

## MBK PUBLIC COMPANY LIMITED

The Board of Directors has decided to set the structure, qualifications, tenure, duties and responsibilities of the Audit Committee into a written charter. In the past year, the Audit Committee consists of the following independent directors as follows:

- |    |                    |              |                                 |
|----|--------------------|--------------|---------------------------------|
| 1. | Professor Paichitr | Rojanavanich | Chairman of the Audit Committee |
| 2. | Mrs. Prakong       | Lelawongs    | Member of the Audit Committee   |
| 3. | Mr. Pracha         | Jaidee       | Member of the Audit Committee   |

The head of Company's Internal Audit department as the secretary of the Audit Committee.

The Audit Committee has performed its duties within the scope of responsibilities assigned and in accordance with the charter of the Audit Committee, which is in comply with the regulation of the Stock Exchange of Thailand. In accounting period 2012 the Audit Committee had convened a total of 16 meetings, at each of meetings all the directors on the Audit Committee had attended and summarized meeting minutes to the Board of Directors' acknowledgement. The essence of the work performed can be summarized as follows:

### FINANCIAL STATEMENT REPORT

The Audit Committee, the auditors, management division and Internal Audit had reviewed the Company's quarterly and the yearly financial statements as well as the consolidated financial statements of the Company and its subsidiaries. By considering from important aspect and give advices and useful suggestions to ensure that the internal control process of the Company financial budget is accurate and reliable, as well as to ensure that the disclosure of important information is sufficient and timeliness for the financial statement users. Which is also in accordance with the laws and related notices as well as in accordance with the regulations of Stock Exchange of Thailand and Securities and Exchange Commission and in comply with Financial Reporting Standards. In addition, the Audit Committee had a meeting with the auditors without any executives or management attended the meeting for inquiring about various issues of the results of auditing and the auditors did not have any information or special observation from the audit.

### RELATED TRANSACTION OR CONFLICT OF INTEREST TRANSACTION

The Audit Committee had considered and given opinions about connected transactions or transactions that may give rise to a conflict of interest with the Company and its subsidiaries. The purpose is caution, rationality and taking into account the interest of the stakeholders and also includes adequate information in line with the conditions imposed by the Stock Exchange of Thailand.

### INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Audit Committee had reviewed the adequacy of the Internal Control Systems of the Company and its subsidiaries, based on the reports of the Internal Audit and the auditors. The purpose is to assess the appropriateness and the efficiency of the Internal Control System, the risk management, and the business operations of the management that are in line with the established policies and the delegation of the authority.

### REGULATORY COMPLIANCE AND REGULATIONS

The Audit Committee reviewed the Company's business operation to ensure that it is in line with the securities and exchange law, regulation of the Stock Exchange of Thailand and laws relation to the business of the Company and acknowledge the changing of regulations which have an effect on the company's business operation.

### GOOD CORPORATE GOVERNANCE

The Audit Committee had conducted such audits as to ensure that the administration of the business of the Company was in compliance with the Good Corporate Governance in order to transparency and fair operates and build confidence to the stakeholders

### INTERNAL AUDIT GOVERNANCE

The Audit Committee had considered the independence of the Internal Audit Department, its scope of responsibilities and annual audit plan as well as considered the audit report and monitoring the implementation of solutions to mention in the audit report. Giving advice on how to improve and streamline the audit performance. Considering the appropriateness of the budget, the workforce, training and personnel development and the annual performance appraisal of the Internal Audit.

### CONSIDERING THE APPOINTED AUDITORS AND COMPENSATION

The Audit Committee had considered the auditors and the annual auditor remuneration. By considering knowledge, capability, experience and quality of the auditors' works in the past year, auditors' statuses, significant limitations or the regulations of the Stock Exchange of Thailand or other related organizations to ensure that independence of the auditor and the neutrality on work performance.

The Audit Committee had examined the auditors' work performance of Ernst & Young Office Limited from the accounting period of previous year and considered the auditors remuneration and proposed to the Board of Directors to reappoint Ernst & Young Office Limited as the Company's auditor for another period. The Audit Committee deemed that the auditors had good understanding of the Company's businesses, practiced in a neutral and independence manner as well as regularly delivered its work on time, and as a result the Board of Directors proposed to the Annual General Meeting of Shareholders 2012 appointed Ernst & Young Office Limited as the Company's auditor for another period. The appointed auditors are:

Ms Ratana	Jala	Certified Public Accountant license number 3734 and/or
Mr. Sophon	Permsirivallop	Certified Public Accountant license number 3182 and/or
Mrs. Nonglak	Pumnoi	Certified Public Accountant license number 4172 and/or
Ms. Sumalee	Reewarabandith	Certified Public Accountant license number 3970

For the Accounting period that ended on 31<sup>st</sup> December 2012, Ms. Ratana Jala is the Certified Public Accountant who audited the Company's financial budget.

The Audit Committee deemed that during for the accounting period that ended on 31<sup>st</sup> December 2012, the company had put in place the transparent, adequate and appropriate Internal Control Systems covering risky operation and the company had established procedures that helped build confidence in Company's operation in accordance with the related laws by having good corporate governance along with the compilation and disclosure of adequate and reliable Company's financial report information.



PROFESSOR PAICHITR ROJANAVANICH  
CHAIRMAN OF AUDIT COMMITTEE

26<sup>th</sup> February 2013

# REPORT ON THE RESPONSIBILITY OF THE BOARD OF DIRECTORS TOWARDS FINANCIAL REPORTS

The Company's Board of Directors is responsible for the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries as well as financial information presented in the annual reports. The financial statements for the year end December 31, 2012 have been prepared in accordance with Thailand's Generally Accepted Accounting Principles (GAAP). In preparing the financial statements, appropriate accounting policies have been adopted and regularly adhered to, using careful discretion and reasonable estimates. As well, key information has been adequately disclosed in the notes to the financial statements. The purpose is to ensure that the disclosed information rightly reflect the Company's financial status, performance and cash flows in a transparent manner, which are beneficial to the investing public. Importantly, the certified auditor from Ernst & Young Office Limited has audited the financial statements and issued an unqualified opinion on them. To enable the auditor to conduct the audit and provide the opinion in line with the audit standards, the Company provides the auditor with its support in terms of information and documents.

The Board of Directors has also put in place and maintained risk management systems, internal control systems, internal audit systems as well as appropriate and efficient corporate governance. The purpose is to ensure that the accounting information is accurate, complete and adequate, and that not only the Company's assets and risk protection are properly maintained but also fraud and significant irregular actions are prevented.

In this connection, the Board of Directors has appointed the Audit Committee with all of its members being independent directors. The Committee is responsible for reviewing accounting policies and ensuring the quality of financial reports. It is also responsible for reviewing internal control systems, the internal audit systems, and the risk management systems. As well, it is responsible for ensuring that the disclosure of information about related party transactions is complete, adequate and appropriate. The opinion of the Audit Committee is given in its report which is already included in this Annual Report.

The Board of Directors is of the opinion that the overall internal control systems are adequate and appropriate and gives rise to the reasonable confidence that the separate financial statements of the Company as well as the consolidated financial statements of the Company and its subsidiaries for the year end December 31, 2012 are reliable and in compliance with the Generally Accepted Accounting Principles (GAAP) as well as the related laws and regulations.



**BANTERNG TANTIVIT**  
CHAIRMAN OF THE BOARD OF DIRECTORS



**SUVAIT THEERAVACHIRAKUL**  
PRESIDENT AND CEO



## REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Company's Board of Directors approved the establishment of the Nomination and Remuneration Committee on 23<sup>rd</sup> February 2007. Currently, the Nomination and Remuneration Committee consists of three members as follows:

- |    |  |  |
|----|--|--|
| 1. | First Lieutenant Chatrachai Bunya-Ananta | Chairman of the Nomination and Remuneration Committee,<br>(Independent director) |
| 2. | Mr. Suphadej Poonpipat,                  | Member of the Nomination and Remuneration Committee,                             |
| 3. | Ms. Panit Pulsirivong                    | Member of the Nomination and Remuneration Committee,<br>(Independent director)   |

The Nomination and Remuneration Committee is responsible for searching for qualified candidates for directorship and propose them to the Board of Directors or the meeting of shareholders for consideration. It is also responsible for searching for qualified candidates for the position of President and Chief Executive Officer as well as considering the remuneration of the position. The Committee will appraise the performance of the Chief Executive Officer annually.

For the year 2012, the Nomination and Remuneration Committee carried out its duties cautiously, carefully and in a rational manner. To fill vacancies as a result of the retirement of directors by rotation, the Committee held two meeting during the period to review and propose names of candidates who were qualified legally and in compliance with the rules and regulations related to directorship. The Committee also considered the remuneration of the Board of Directors and the various committees. The names of the qualified candidates were proposed to the Board of Directors and the meeting of the shareholders for appointment. The shareholders were also provided with an opportunity to propose names of persons whom they considered appropriate for appointment as directors. As regards the consideration of the remuneration of President and Chief Executive Officer, the Committee took into account the position's duties and responsibilities, the assignments given to the Officer as well as the performance of the Company in comparison with the established targets. The Committee also took into account the real economic conditions and the levels of remuneration earned by the same position in similar industries.



FIRST LIEUTENANT CHATRACHAI BUNYA-ANANTA  
CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE

# MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

MBK Public Company Limited and its subsidiaries  
For the year ended 31 December 2012

## Analysis of operating results

### 1. Change of the accounting period

The Group changed the accounting period starting from 1 July to 30 June of the following year to the period starting from 1 January to 31 December of each year. Therefore, the statements of comprehensive income and statements of cash flows for the six-month period from 1 July 2011 to 31 December 2011, presented for comparative purposes in the financial statements for 2012, were prepared under this new accounting period which the period was ended 31 December.

However, for the benefits of the users in comparing and analyzing the financial information, including the explanation notes for the increases or decreases, an analysis of operating results and cash flows for the year ended 31 December 2012 are compared with the same twelve-month period of last year from 1 January 2011 to 31 December 2011 which will be described in the next section.

### 2. Overall operating results

The operating results of MBK Public Company Limited and its subsidiaries ("the Group") for the year ended 31 December 2012 and 2011 are as follows:

(Unit: Million Baht)

	For the years ended 31 December			
	2012	2011	Increase(Decrease)	
<u>Revenue</u>				
Revenue from operations	8,986	8,388	598	7%
Share of income from investments in associates	145	150	(5)	(3%)
Total	9,131	8,538	593	7%
Net income attributable to equity holders of the parent	1,895	1,377	518	38%
Earnings per share (Baht)	12.51	9.09	3.42	38%

## Revenue

The total revenue for the years ended 31 December 2012 and 2011 were Baht 9,131 million and Baht 8,538 million, respectively, which increased by Baht 593 million or 7% due to the growth in revenue of all business units. The major changes in revenue were as follows:

- a) The Nine Neighborhood Center, a community mall located at Rama IX Road, commenced its operation in July 2011, increased its revenue by Baht 121 million.
- b) The revenue from real-estate business increased by Baht 212 million because there was major revenue recognition for the residential project "Sabai Village" in Phuket. This project began to recognize revenue since December 2011.
- c) The revenue from hire-purchase of motorcycle business increased by Baht 164 million. The major factor were that there was a major flood crisis since September 2011 to December 2011 which caused a slowdown in customer purchase of motorcycles during such period. In addition, the hire-purchase business expanded its customer base by establishment of the new two branches at Bang Na Trat Road in July 2012 and Thonburi in November 2012 which could generate revenue for 2012 totaling of Baht 22 million.
- d) The revenue from hotel business increased by Baht 147 million due to the better performance of the hotel business within the Group in accordance with the recovery of the tourism industry. A main factor was from the major flood crisis during the high season period of September to December 2011 which affected the decrease in hotel revenue. In addition, such increase included the revenue from hotel "Layana Resort and Spa" amounting to Baht 48 million, acquired on 1 April 2011.
- e) MBK Shopping Center increased its revenue by Baht 103 million mainly due to the increase in annual rental rate adjustment.
- f) The finance business increased interest income from lending by Baht 64 million due to the growth in loan portfolio.
- g) The revenue from the rice business decreased by Baht 479 million as a consequence that the government rice mortgage policy impacts on the higher cost of raw materials and causes the limitation in overall market competition capabilities and the reduction in sales volume for export market.
- h) In 2012, a subsidiary, who engaged in warehouse rental service, sold its land and warehouse due to the lease contract with tenant was expired. Furthermore, the other subsidiaries who operated in the rice business sold their unused silo and machinery due to the relocation of factory from Pathumthani to new location at Sikhui District, Nakornratchasima and therefore, the Group recognized gain on sales of such assets amounting to Baht 209 million.

### **Net income**

The Group net income attributable to equity holders of the parent for the years ended 31 December 2012 and 2011 were Baht 1,895 million and Baht 1,377 million, respectively, which increased by Baht 518 million or 38%. In overall, the performance of all business units of the Group satisfactorily improved, except the rice business that was impacted from the government rice mortgage policy, however, its performance did not affect to the Group performance. The finance cost decreased by Baht 50 million due to the reduction in borrowings. Moreover, there was a recognition of gain on sales of the assets based on the percentage of shareholding in the subsidiaries (net of related tax impact) amounting to Baht 129 million. The reasons are as mentioned above.

The significant movements in revenue and expenses for the years ended 31 December 2012 in comparison with 2011 were as follows:

### **3. Revenue**

The main revenue of the Group presented in the statements of comprehensive income are divided into 4 categories, which are revenue from sales, revenue from service and rental, revenue from hotel operations, and revenue from hire purchase. The details of significant movements were as follows:

#### **(a) Revenue from sales**

Revenue from sales mainly comprised of the revenue from the subsidiaries in the businesses of rice, real estate, retail business in shopping center, and sales of food and beverage.

Revenue from sales for 2012 was Baht 2,735 million, decreased from the same period of last year by Baht 214 million or 7% mainly due to the decrease in the revenue of rice business by Baht 479 million as a result of the government rice mortgage policy. On the other hand, the revenue from the real-estate business in Phuket increased by Baht 212 million from the residential project "Sabai Village". Furthermore, the subsidiaries who engage in a motorcycle dealer business increased its revenue by Baht 63 million which was in line with the growth of overall economics after the flood crisis in late 2011.

**(b) Revenue from services and rental**

Revenue from services and rental principally comprised of the revenue from property for lease and service, and from the golf course businesses.

Revenue from services and rental for 2012 was Baht 3,793 million, increased from the same period of last year by Baht 249 million or 7%. The major increases in revenue were from The Nine Neighborhood Center by Baht 121 million and MBK Shopping Center by Baht 103 million. In addition, the golf business increased its revenue by Baht 56 million due to the higher number of rounds of golf. The major reasons were the flood crisis during September to December 2011 and that the Riverdale Golf Course located in Pathumthani, which operated since June 2010, is getting popular amongst golfers.

**(c) Revenue from hotel operations**

Revenue from hotel operations for 2012 was Baht 1,121 million, increased from the same period of last year by Baht 147 million or 15%. The reasons were noted in the overall operating results No.2 (d).

**(d) Revenue from hire-purchase**

Revenue from hire-purchase for 2012 was Baht 449 million, increased from the same period of last year by Baht 164 million or 58% due to the growth of hire-purchase portfolio as mentioned in the overall operating results No.2 (c).

**4. Cost of sales and gross margin**

The major cost of sales presented in the statements of comprehensive income and gross margin of the Group are divided into 3 categories based on revenue types which are cost of sales, cost of services and rental, and direct hotel operating expenses. The details of significant movements were as follows:

**(a) Cost of sales and gross margin**

Cost of sales for 2012 was Baht 2,318 million, decreased from the same period of last year by Baht 304 million or 12%. In overall, cost of sales varied according to the increase/decrease of sales. The average gross margin went up from 11.1% to 15.2% or increased by 4.1% when compared to the same period of last year. The major factor was that the growth in revenue from sale of houses which generated higher profit margin than the sale of rice, resulted in a better overall gross margin.

**(b) Cost of services and rental, and gross margin**

Cost of services and rental for 2012 was Baht 1,622 million, increased from the same period of last year by Baht 113 million or 7%, which was in line with the increase/decrease in revenue. The average gross margin was down slightly from 57.4% to 57.2% or decreased by 0.2% when compared to the same period of last year.

**(c) Direct hotel operating expenses and gross margin**

Direct hotel operating expenses for 2012 was Baht 710 million, increased from the same period of last year by Baht 27 million or 4% and was in line with the increase in revenue. The average gross margin went up from 29.8% to 36.6% or increased by 6.8% when compared to the same period of last year due to the higher revenue of the hotel business while the major costs were mainly fixed and thus, resulted in a better average gross margin.

**5 Selling and administrative expenses**

Selling and administrative expenses for 2012 was Baht 1,728 million, increased from the same period of last year by Baht 250 million or 17%, which were in line with the growth of the business and normal economic conditions. In addition, the impact of the government minimum wage policy which became effective on 1 April 2012 onwards resulted in the higher personal and labor costs as well as the increase in costs of related goods and services.

## Analysis of financial position

The significant movements in assets, liabilities and shareholders' equity as at 31 December 2012 when compared with the balance as at 31 December 2011 were as follows:

(Unit: Million Baht)

	31 Dec. 2012	31 Dec. 2011	Increase/(Decrease)	
Total assets	31,943	27,070	4,873	18%
Total liabilities	16,237	14,210	2,027	14%
Total shareholders' equities	15,706	12,860	2,846	22%

### 6 Assets

#### 6.1 Cash and cash equivalents

Cash and cash equivalents balance as at 31 December 2012 was Baht 1,741 million, increased significantly by Baht 1,086 million or 166% due to the cash receipts from issuance of debentures during November 2012 amounting to Baht 1,500 million.

#### 6.2 Current investments and long-term investments

Current investments and long-term investments mainly represented investments in equity securities which are classified as available-for-sale marketable securities and the balance as at 31 December 2012 was Baht 6,141 million, increased dramatically by Baht 1,843 million or 43%. Such increase included amount of Baht 1,859 million which was a result of the fair values adjustment of the securities on hand as at 31 December 2012.

#### 6.3 Hire purchase receivables

Hire purchase receivables (including current portion) balance as at 31 December 2012 was Baht 1,620 million, increased by Baht 679 million or 72% due to the growth of hire purchase portfolio for motorcycle as mentioned in overall operating results No.2 (c).

#### 6.4 Short-term loans to related companies

In the fourth quarter of 2012, the Company provided loan to related companies of an associate, who operates in the shopping center business, amounting to Baht 1,200 million for the purposes of investment in a new project located on Charoennakorn area. Therefore, short-term loans to related companies balance as at 31 December 2012 was Baht 1,280 million, increased sharply by Baht 1,205 million or 1,607%.

## 6.5 Short-term and long-term loan receivables

Short-term and long-term loan receivables (including current portion) balance as at 31 December 2012 was Baht 3,357 million, increased sharply by Baht 927 million or 38% due to the growth of loans portfolio for the finance business.

## 6.6 Inventories

Inventories balance as at 31 December 2012 was Baht 1,578 million, increased by Baht 273 million or 21%. The major increase was from costs of property development for sale under the new project "The Quinn Condominium", located on Ratchadapisek Road, which consisted of land cost, design fee and other operating expenses totaling Baht 411 million. This project will open for sale in early 2013. On the other hand, due to the limitation of storage space in the new factory at Sikhui District, Nakhonratchasima Province, the company policy is to reduce stock on hand level and therefore, the stock of rice decreased by Baht 144 million.

## 6.7 Investment in associates

Investment in associates balance as at 31 December 2012 was Baht 2,558 million, decreased by Baht 81 million or 3%. The significant movements for the year ended 31 December 2012 were as follows:

- a) The increase of Baht 145 million, from the recognition share of profit under equity method.
- b) The increase of Baht 11 million and Baht 2 million were, from the additional investments in the associates who operated the golf business and the hotel business, respectively.
- c) The decrease of Baht 230 million, from the dividend income.



## 6.8 Investment properties

Investment properties balance as at 31 December 2012 was Baht 5,140 million, decreased by Baht 489 million or 9%. The significant movements for the year ended 31 December 2012 were as follows:

	Description	Baht Million
1	Transfer a plot of land located around the golf course in Phuket from property, plant and equipment to investment properties account	116
2	The project of The Nine Neighborhood Center to renovate a canvas roof and improve infrastructure of a plot of land for 9 rai nearby.	32
3	Sale of land, warehouse for rent and silo	(278)
4	Depreciation for the year	(415)
5	Others	56
	<b>Total net movements</b>	<b>(489)</b>

## 6.9 Land held for development

Land held for development balance as at 31 December 2012 was Baht 713 million, decreased by Baht 310 million or 30%. The major decrease of Baht 381 million was land at Ratchadapisek Road which was reclassified to costs of property development for sale under the new condominium project. However, the increase of Baht 71 million was from the acquisition of a plot of land around the Riverdale Golf Course area for future development project.

## 6.10 Property, plant and equipment

Property, plant and equipment balance as at 31 December 2012 was Baht 3,616 million, which decreased by Baht 245 million or 6%. The significant movements for the year ended 31 December 2012 were as follows:

Description	Baht Million
1 The renovation project of Sheraton Krabi Beach Resort Hotel	157
2 The renovation project of Pathumwan Princess Hotel	31
3 The renovation project of Layana Resort and Spa Hotel	24
4 The construction costs for building, machinery and equipment for the new factory at Sikhio District in Nakhon Ratchasima for the rice business	43
5 Purchase of land and building for the new office of the hire-purchase of motorcycle business	49
6 Reclassify a plot of land located around the golf course in Phuket from property, plant and equipment to Investment properties account	(116)
7 Depreciation for the year	(487)
8 Others	54
<b>Total net movements</b>	<b>(245)</b>

## 7 Liabilities

### 7.1 Bank overdrafts and short-term loans from financial institutions

Bank overdrafts and short-term loans from financial institutions balance as at 31 December 2012 was Baht 340 million, decreased by Baht 597 million or 64%. The major factor was that the Company repaid short-term loan in foreign currency amounting to USD 11.52 million or equivalent to Baht 354 million to a foreign commercial bank. In addition, the rice business repaid its borrowings amounting to Baht 220 million by using cash inflows from working capital and sale of unused silo and machinery.

## 7.2 Long-term loans from financial institution

Long-term loans from financial institutions (including current-portion) balance as at 31 December 2012 were Baht 287 million, decreased sharply by Baht 945 million or 77%. Paradise Park Shopping Center repaid its long-term borrowings totaling of Baht 889 million by using cash received from the increase of its share capital of Baht 600 million in February 2012 and the remaining from cash generated from operations. In addition, the subsidiary who engaged in warehouse rental service, repaid its entire long-term borrowings of Baht 56 million by using cash received from sale of land and warehouse. The purpose of repayment the loans were to reduce the interest costs.

## 7.3 Long-term debentures

Long-term debentures (including current-portion) balance as at 31 December 2012 was Baht 9,093 million, increased significantly by Baht 3,397 million or 60%. In 2012, the Company issued the long-term debentures totaling Baht 3,400 million in order to support the Group business expansion especially for the finance business and the real-estate business.

## 7.4 Deferred tax liabilities

Deferred tax liabilities balance as at 31 December 2012 was Baht 940 million, increased by Baht 348 million or 59% mainly due to the increase of Baht 361 million from revaluation adjustment in fair value of the marketable securities on hand at 31 December 2012.

## 8 Equity attributable to the Company's shareholders

Total shareholders' equity balance as at 31 December 2012 was Baht 15,706 million, increased significantly by Baht 2,846 million or 22%. The significant movements for the year ended 31 December 2012 were as follows:

- The increase of Baht 1,053 million in retained earnings derived from the net profit for 2012 amounting to Baht 1,895 million but a decrease of Baht 795 million was from dividend payment and a decrease of Baht 47 million was from the adjustment of provision for long-term employee benefits due to the changes in wages and salary structure and employee turnover rate that used in the actuarial calculation.
- The increase of Baht 1,458 million in other components of shareholders' equity was mainly due to the increase of Baht 1,463 million in unrealized gains on available-for-sale securities, net of the related deferred tax impact, as a result of the higher stock market price.
- The increase of Baht 334 million in equity attributable to non-controlling interest of the subsidiaries was due to the increase in share capital in a subsidiary according to the percentage of shareholding amounting to Baht 300 million and the net profit for the year attributable to non-controlling interest of the subsidiaries amounting to Baht 108 million, whereas the decrease of Baht 74 million was from dividend income.

## Analysis of the liquidity

9. Cash flows of the Group for the years ended 31 December 2012 and 2011 are summarised in table below.

(Unit: Million Baht)

	For the years ended 31 December			
	2012	2011	Cash flows (Increase/(Decrease))	
Net income from operating activities before changes in operating assets and liabilities	1,654	1,508	146	10%
Net movements in operating assets and liabilities	11	437	(426)	(97%)
Net cash flows from operating activities	1,665	1,945	(280)	(14%)
Net cash flow received from (used in) investing activities	(1,301)	(1,858)	557	30%
Net cash flows received from (used in) financing activities	722	(1,025)	1,747	170%
Net increase/(decrease) in cash and cash equivalents	1,086	(938)	2,024	216%

### 9.1 Cash flows from operating activities

The significant movements in cash flows from operating activities and operating assets and liabilities are as mentioned in the analysis of operating results and financial status above.

### 9.2 Cash flows from investing activities

Net cash flows used in investing activities decreased by Baht 557 million or 30% due to the following major reasons:-

#### Factors in cash increases:

- a) Cash outflows in the purchases of property, plant and equipment, and investment properties decreased by Baht 448 million due to fact that, in the same period of last year, there were significant capital expenditures project in relation to "The Nine Neighborhood Center" and the acquisition of property, plant and equipment of the new subsidiary which operates the hotel business "Layana Resort and Spa" in April 2011.

- b) Cash inflows from sales of property, plant and equipment, and investment properties increased sharply by Baht 486 million mainly from sales of land, warehouse, silo and machinery as mentioned in overall operating results No.2 (h).
- c) Cash received from advance interest income increased by Baht 170 million due the growth of loans portfolio.
- d) Proceeds from non-controlling interest of Paradise Park increased in share capital of the subsidiary amounting to Baht 300 million in February 2012.
- e) Cash outflow from acquisition of a subsidiary decreased by Baht 150 million because in the same period of last year, the Company acquired an investment in a subsidiary that operates the hotel business in the amount of Baht 113 million.
- f) Cash paid for purchase of investments in associates decreased by Baht 407 million because in the same period of last year, the Company purchased a lot of additional investment in other company who operates golf business and thus, the investment in other company was changed status to investment in associate.

Factors in cash decreases:

- g) Cash outflow for lending of loans of the finance business (net of cash receipts) increased significantly by Baht 1,319 million due to the growth of loan portfolio.

### 9.3 Cash flows from financing activities

Net cash flows received from financing activities increased significantly by Baht 1,747 million or 170% mainly due to the following major reasons:-

Factors in cash increases:

- a) Proceeds from long-term debentures (net of repayment) increased by Baht 2,699 million. In 2012, there was an issuance of long-term debentures for totaling Baht 3,400 million which was higher than the same period of last year by Baht 699 million. In addition, there was a repayment of the debentures which were due in 2011 amounting to Baht 2,000 million.

Factors in cash decreases:

- b) Repayment of short-term and long-term loans from third parties and related parties (net of cash received) increased by Baht 694 million.
- c) Cash inflows from advance income received from the tenants under long-term lease agreements of the shopping center business decreased by Baht 298 million because there were several long-term lease contracts made during 2010 - 2011.

# FINANCIAL STATEMENT



...considered while the Property is being prepared for release and  
...of as a result of such acts.  
...of the Bank of the State of Washington. The agreement represents  
...with respect to its subject matter. No modification, amendment, assignment or  
...of the Property shall be made without the written consent of the Bank of the State of Washington.

PROVIDOS, INC.  
By \_\_\_\_\_  
As \_\_\_\_\_

*[Signature]*  
[Name]

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of MBK Public Company Limited

I have audited the accompanying consolidated financial statements of MBK Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of MBK Public Company Limited for the same period.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MBK Public Company Limited and its subsidiaries and of MBK Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



**Ratana Jala**

Certified Public Accountant (Thailand) No. 3734  
Ernst & Young Office Limited

Bangkok: 26 February 2013

# STATEMENT OF FINANCIAL POSITION

MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
AS AT 31 DECEMBER 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 December	31 December	31 December	31 December
		2012	2011	2012	2011
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	1,741,115,612	654,825,685	1,389,350,829	403,270,082
Current investments	7, 41	1,096,186,929	4,282,617,645	576,126,927	3,778,986,216
Trade and other receivables	8, 41	576,967,461	519,001,523	96,760,896	79,625,237
Short-term loans to related companies	41	1,279,791,170	74,971,712	4,438,663,170	1,572,944,712
Current portion of hire purchase receivables	9	866,834,809	553,575,804	-	-
Short-term loans and current portion of long-term loans	15	235,417,564	779,184,990	3,470,304	5,247,296
Inventories	10	1,578,372,276	1,305,139,435	41,770,844	37,231,503
Other current assets	11, 41	219,044,063	249,587,345	24,978,300	14,939,239
<b>Total current assets</b>		<b>7,593,729,904</b>	<b>8,418,904,139</b>	<b>6,571,121,270</b>	<b>5,892,244,285</b>
<b>Non-current assets</b>					
Restricted fixed deposits		4,257,534	1,857,927	-	-
Investments in associates	12	2,557,727,540	2,639,036,123	1,274,322,538	1,993,459,401
Investments in subsidiaries	13	-	-	12,030,991,782	12,615,991,782
Other long-term investments	14, 41	5,044,445,153	15,260,251	4,915,606,105	11,337,505
Hire purchase receivables - net of current portion	9	753,633,083	388,109,976	-	-
Long-term loans - net of current portion	15	3,121,651,194	1,650,648,751	1,124,019,209	1,069,708,784
Investment properties	16	5,139,877,397	5,628,647,210	231,295,836	334,987,647
Land held for development	17	713,119,829	1,022,701,293	-	-
Property, plant and equipment	18	3,616,131,226	3,861,416,143	440,095,602	584,589,133
Leasehold rights		383,373,589	462,485,777	17,706,327	70,825,306
Prepaid rental fee	1, 2	2,797,904,805	2,797,904,805	2,797,904,805	2,797,904,805
Goodwill	20	72,493,179	73,482,945	-	-
Intangible assets	19	51,078,352	56,756,860	31,927,633	35,007,222
Deferred tax asset	34	54,373,780	47,118,141	11,300,885	9,999,286
Other non-current assets		38,991,921	5,665,022	74,896	74,896
<b>Total non-current assets</b>		<b>24,349,058,582</b>	<b>18,651,091,224</b>	<b>22,875,245,618</b>	<b>19,523,885,767</b>
<b>Total assets</b>		<b>31,942,788,486</b>	<b>27,069,995,363</b>	<b>29,446,366,888</b>	<b>25,416,130,052</b>

The accompanying notes are an integral part of the financial statements



# STATEMENT OF FINANCIAL POSITION (Continued)

 MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
 AS AT 31 DECEMBER 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 December	31 December	31 December	31 December
		2012	2011	2012	2011
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	21	340,000,000	936,707,183	-	366,703,488
Trade and other payables	22, 41	831,027,403	664,538,582	352,899,365	249,336,999
Short-term loans from related companies	41	183,435,000	188,660,000	2,640,445,000	3,454,091,000
Current portion of long-term liabilities under financial lease agreements - related company	41	-	-	5,293,684	3,937,832
Current portion of long-term loans from financial institutions	24, 41	96,000,000	303,000,000	-	-
Current portion of long-term debentures	25	2,999,450,697	-	2,999,450,697	-
Current portion of advance rental and service deposits		394,884,795	448,685,305	374,824,895	438,640,891
Current portion of long-term lease payable	26	85,000,000	85,000,000	85,000,000	85,000,000
Corporate income tax payable		184,700,076	240,093,878	89,023,250	175,212,909
Other current liabilities	23, 41	456,122,830	400,722,587	148,303,610	144,172,804
<b>Total current liabilities</b>		<b>5,570,620,801</b>	<b>3,267,407,535</b>	<b>6,695,240,501</b>	<b>4,917,095,923</b>
<b>Non-current liabilities</b>					
Long-term liabilities under financial lease agreements - related company - net of current portion	41	-	-	10,519,121	7,649,958
Long-term loans from financial institutions - net of current portion	24, 41	191,000,000	929,372,000	-	-
Long-term debentures - net of current portion	25	6,093,279,350	5,695,591,010	6,093,279,350	5,695,591,010
Advance rental and service deposits - net of current portion		2,348,595,481	2,675,279,875	2,306,986,950	2,643,303,558
Long-term lease payable - net of current portion	26	-	85,000,000	-	85,000,000
Provision for long-term employee benefits	27	121,472,838	56,030,701	50,327,721	25,289,561
Deferred tax liabilities	34	939,858,535	591,536,418	707,297,161	367,015,319
Deposits		956,361,069	850,441,082	570,980,233	517,361,039
Other non-current liabilities	28	10,069,498	59,243,786	9,362,589	10,607,270
<b>Total non-current liabilities</b>		<b>10,666,636,771</b>	<b>10,942,494,872</b>	<b>9,748,753,125</b>	<b>9,351,817,715</b>
<b>Total liabilities</b>		<b>16,237,257,572</b>	<b>14,209,902,407</b>	<b>16,443,993,626</b>	<b>14,268,913,638</b>

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

# STATEMENT OF FINANCIAL POSITION (Continued)

MBK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
AS AT 31 DECEMBER 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 December	31 December	31 December	31 December
		2012	2011	2012	2011
<b>Shareholders' equity</b>					
Share capital					
Registered					
188,629,100 ordinary shares of Baht 10 each		1,886,291,000	1,886,291,000	1,886,291,000	1,886,291,000
Issued and paid-up					
188,629,100 ordinary shares of Baht 10 each		1,886,291,000	1,886,291,000	1,886,291,000	1,886,291,000
Premium on ordinary shares		1,276,037,500	1,276,037,500	1,276,037,500	1,276,037,500
Difference between the lower acquisition cost of business and fair value					
		172,206,406	172,206,406	-	-
Retained earnings					
Appropriated - statutory reserve	29	200,000,000	200,000,000	200,000,000	200,000,000
Unappropriated		8,774,576,622	7,721,741,037	6,810,856,117	6,316,626,738
Other components of shareholders' equity		2,891,955,366	1,433,200,757	2,829,188,645	1,468,061,176
Equity attribute to owners of the Company before treasury stock and non-controlling interests of the subsidiaries					
		15,201,066,894	12,689,476,700	13,002,373,262	11,147,216,414
Less: Treasury stock	30	(711,993,784)	(711,993,784)	-	-
Equity attributable to owners of the Company	31	14,489,073,110	11,977,482,916	13,002,373,262	11,147,216,414
Non-controlling interests of subsidiaries		1,216,457,804	882,610,040	-	-
<b>Total shareholders' equity</b>		<b>15,705,530,914</b>	<b>12,860,092,956</b>	<b>13,002,373,262</b>	<b>11,147,216,414</b>
<b>Total liabilities and shareholders' equity</b>		<b>31,942,788,486</b>	<b>27,069,995,363</b>	<b>29,446,366,888</b>	<b>25,416,130,052</b>

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

Directors

# STATEMENT OF COMPREHENSIVE INCOME

MBK Public Company Limited and its subsidiaries  
 For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
<b>Profit or loss:</b>				
<b>Revenues</b>				
Sales	2,734,587,540	1,446,831,283	-	-
Service and rental income	3,792,660,375	1,816,693,994	2,260,174,064	1,086,802,645
Revenue from hotel operations	1,120,914,175	489,495,141	640,208,737	285,225,974
Revenue from hire purchase	448,546,897	138,877,162	-	-
Other income				
Interest income	283,396,168	115,592,288	185,853,792	65,853,646
Dividend income	243,466,163	104,149,608	778,065,310	417,408,627
Others	362,054,237	129,402,799	77,415,876	40,545,145
<b>Total revenues</b>	<b>8,985,625,555</b>	<b>4,241,042,275</b>	<b>3,941,717,779</b>	<b>1,895,636,037</b>
<b>Expenses</b>				
Cost of sales	2,318,361,587	1,292,804,349	-	-
Cost of service and rental	1,621,936,420	771,251,073	529,722,388	248,196,827
Direct hotel operating expenses	710,402,908	348,265,719	423,812,816	211,689,387
Selling expenses	517,190,731	201,660,910	121,310,658	47,629,576
Administrative expenses	1,211,135,868	580,363,351	435,334,401	206,686,777
Loss on sales of investments	-	-	233,534,514	-
<b>Total expenses</b>	<b>6,379,027,514</b>	<b>3,194,345,402</b>	<b>1,743,714,777</b>	<b>714,202,567</b>
<b>Profit before share of profit from investments in associates, finance cost and income tax expenses</b>	<b>2,606,598,041</b>	<b>1,046,696,873</b>	<b>2,198,003,002</b>	<b>1,181,633,470</b>
Share of profit from investments in associates	145,013,347	51,100,212	-	-
<b>Profit before finance cost and income tax expenses</b>	<b>2,751,611,388</b>	<b>1,097,797,085</b>	<b>2,198,003,002</b>	<b>1,181,633,470</b>
Finance costs	(336,062,882)	(190,599,811)	(461,981,307)	(203,695,872)
<b>Profit before income tax expenses</b>	<b>2,415,548,506</b>	<b>907,197,274</b>	<b>1,736,021,695</b>	<b>977,937,598</b>
Income tax expenses	(407,305,746)	(224,112,107)	(230,886,284)	(176,954,480)
<b>Profit for the year/period</b>	<b>2,008,242,760</b>	<b>683,085,167</b>	<b>1,505,135,411</b>	<b>800,983,118</b>

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

# STATEMENT OF COMPREHENSIVE INCOME (Continued)

MBK Public Company Limited and its subsidiaries  
For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended	For the six-month period ended	For the year ended	For the six-month period ended
<i>Note:</i>	31 December 2012	31 December 2011	31 December 2012	31 December 2011
<b>Other comprehensive income:</b>				
Gain (loss) on change in value of in available-for-sale investments	1,463,045,272	(16,200,960)	1,361,127,469	7,039,813
Unrealised loss on investments in receivables	-	(79,448)	-	(79,449)
Unrealised gains (loss) on investments in loans of an associate	(2,531,694)	7,895,557	-	-
Actuarial losses	(49,529,792)	-	(20,803,257)	-
Actuarial losses of associates	(3,105,082)	-	-	-
Translation adjustment of an associate	(1,758,969)	8,489,525	-	-
<b>Other comprehensive income for the year / period</b>	<b>1,406,119,735</b>	<b>104,674</b>	<b>1,340,324,212</b>	<b>6,960,364</b>
<b>Total comprehensive income for the year / period</b>	<b>3,414,362,495</b>	<b>683,189,841</b>	<b>2,845,459,623</b>	<b>807,943,482</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	1,894,596,543	654,408,359	1,505,135,411	800,903,118
Non-controlling interest of the subsidiaries	113,646,217	28,676,808	-	-
	2,008,242,760	683,085,167	-	-
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	3,306,566,771	654,513,033	2,845,459,623	807,943,482
Non-controlling interest of the subsidiaries	107,795,724	28,676,808	-	-
	3,414,362,495	683,189,841	-	-
<b>Earnings per share</b>				
Basic earnings per share				
Profit attributable to equity holders of the Company	12.51	4.32	7.98	4.25

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

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MBK Public Company Limited and its subsidiaries  
For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements												
	Equity attributable to owners of the Company												
	Other components of shareholders' equity												
	Other comprehensive income												
	Issued and paid-up share capital	Premium on ordinary shares	Difference between the lower acquisition cost of business and fair value	Retained earnings	Unrealised gains on available- for-sale securities	Unrealised losses on investments in receivables	Unrealised gains on investments in loans of an associate	Translation adjustment of an associate	Total other components of shareholders' equity	Treasury stocks	Total shareholders' equity attributable to the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
<b>Balance as at 1 July 2011</b>	1,886,281,000	1,276,037,500	172,206,406	7,445,692,952	1,382,556,225	(565,137)	51,096,995	-	1,433,096,083	(711,993,784)	11,701,530,157	894,991,389	12,596,491,545
Total comprehensive income for the period	-	-	-	654,408,358	(18,200,960)	(79,448)	7,865,557	8,489,825	104,874	-	654,513,033	28,676,808	683,189,841
Dividend paid	-	-	-	(378,560,274)	-	-	-	-	-	-	(378,560,274)	(41,028,159)	(419,588,430)
<b>Balance as at 31 December 2011</b>	1,886,281,000	1,276,037,500	172,206,406	7,721,741,037	1,366,354,265	(635,585)	59,962,552	8,489,825	1,433,200,757	(711,993,784)	11,977,482,916	882,610,040	12,860,092,956
<b>Balance as at 1 January 2012</b>	1,886,281,000	1,276,037,500	172,206,406	7,721,741,037	1,366,354,265	(635,585)	58,892,562	8,489,825	1,433,200,757	(711,993,784)	11,977,482,916	882,610,040	12,860,092,956
Total comprehensive income for the year	-	-	-	1,647,612,162	1,463,045,272	-	(2,331,694)	(1,758,960)	1,456,794,008	-	3,366,566,771	107,795,724	3,474,362,495
Dividend paid	-	-	-	(794,976,577)	-	-	-	-	-	-	(794,976,577)	(73,947,860)	(868,924,537)
Increase in share capital of subsidiary from non-controlling interest of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	300,000,000	300,000,000
<b>Balance as at 31 December 2012</b>	1,886,281,000	1,276,037,500	172,206,406	8,774,576,622	2,829,399,537	(635,585)	56,490,858	6,730,866	2,891,995,360	(711,993,784)	14,486,075,110	1,216,457,804	15,702,532,914

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

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

MBK Public Company Limited and its subsidiaries  
For the year ended 31 December 2012

(Unit: Baht)

	Separate financial statements									
	Retained earnings					Other components of shareholders' equity				
	Issued and paid-up share capital	Premium on ordinary shares	Appropriated		Unappropriated	Unrealised gain on available-for-sale securities	Unrealised loss on investments in receivables	Total other components of shareholders' equity	Total shareholders' equity	
statutory reserve			Unappropriated							
<b>Balance as at 1 July 2011</b>	1,886,291,000	1,276,037,500	200,000,000	5,987,416,370	1,461,656,949	(556,137)	1,461,100,812	10,810,845,682		
Total comprehensive income for the period	-	-	-	800,983,118	7,039,813	(79,449)	6,960,364	807,943,482		
Dividend paid (Note 42)	-	-	-	(471,572,750)	-	-	-	(471,572,750)		
<b>Balance as at 31 December 2011</b>	1,886,291,000	1,276,037,500	200,000,000	6,316,826,738	1,468,686,762	(635,586)	1,468,061,176	11,147,216,414		
<b>Balance as at 1 January 2012</b>	1,886,291,000	1,276,037,500	200,000,000	6,316,826,738	1,468,686,762	(635,586)	1,468,061,176	11,147,216,414		
Total comprehensive income for the year	-	-	-	1,484,332,134	1,361,127,469	-	1,361,127,469	2,845,469,623		
Dividend paid (Note 42)	-	-	-	(950,302,775)	-	-	-	(950,302,775)		
<b>Balance as at 31 December 2012</b>	1,886,291,000	1,276,037,500	200,000,000	6,810,856,117	2,829,824,231	(635,586)	2,829,188,645	13,002,373,262		

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

# CASH FLOW STATEMENT

MBK Public Company Limited and its subsidiaries  
 For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
<b>Cash flows from operating activities</b>				
Profit before corporate income tax	2,415,548,506	907,197,274	1,736,021,695	977,937,598
Adjustments to reconcile profit before corporate income tax to net cash provided by (paid from) operating activities:				
Depreciation	901,229,307	473,538,035	324,486,137	171,122,667
Amortisation	10,580,711	5,337,670	6,596,246	3,406,588
Amortisation of underwriting fee	1,818,239	1,061,744	1,818,239	1,061,744
Amortisation of leasehold right and prepaid rental fee	79,112,188	39,563,615	53,118,979	26,559,490
(Gains) losses on sales of investments	-	(8,633,826)	233,534,514	(7,723,585)
(Gains) losses on disposal of investment properties	(194,366,824)	213,000	61,140	213,000
Share of profit from investments in associates	(145,013,347)	(51,100,212)	-	-
(Gains) losses on disposal of equipment	(6,934,993)	(845,475)	758,953	91,288
Losses on disposal of intangible assets	113,900	10,899	-	-
Allowance for impairment loss on plant and equipment	8,460,403	9,928,769	-	-
Allowance for doubtful debts (reversal)	8,395,655	19,201,459	(865,828)	461,311
Allowance for diminution in value of inventories	2,277,643	870,550	-	-
Reversal of loss on impairment of non-current assets held for sale from discontinued operations	-	(4,681,415)	-	-
Income from rental deposits and revenue received in advance	(696,051,526)	(327,281,133)	(658,443,513)	(317,695,680)
Provision for long-term employee benefits	8,217,565	4,112,310	2,602,289	1,331,506
(Gain) loss on exchange	(12,879,418)	19,936,512	(12,879,418)	19,936,512
Interest income	(283,396,168)	(115,592,288)	(185,853,792)	(65,853,646)
Interest expenses	308,929,457	153,162,082	446,499,583	176,011,062
Dividend income	(243,454,434)	(104,149,608)	(778,065,310)	(417,408,627)
Profit from operating activities before changes in operating assets and liabilities	2,162,566,864	1,021,849,962	1,169,389,914	569,451,228
Net movements in operating assets and liabilities (Note 36)	10,961,696	(108,884,590)	366,935,080	82,864,058
<b>Cash flows from operating activities</b>	<b>2,173,528,560</b>	<b>912,965,372</b>	<b>1,536,324,994</b>	<b>652,315,286</b>
Cash paid for employee benefits	(4,687,668)	(244,948)	(3,568,200)	-
Cash paid for income tax	(503,434,432)	(228,557,112)	(313,176,728)	(165,264,498)
<b>Net cash flows from operating activities</b>	<b>1,665,406,460</b>	<b>684,163,312</b>	<b>1,219,580,066</b>	<b>487,050,788</b>

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

# CASH FLOW STATEMENT (Continued)

MBK Public Company Limited and its subsidiaries  
For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
<b>Cash flows from investing activities</b>				
Cash paid for current investments	(12,000,000)	(57,869,305)	-	(29,869,305)
Proceeds from sale of current investments	28,000,000	8,724,298	-	7,814,057
Cash paid for short-term loan to related companies	(1,217,032,581)	(54,500,000)	(4,536,703,582)	(1,036,107,225)
Refund from short-term loan to related companies	12,213,123	545,288	1,670,985,124	288,715,288
Cash paid for short-term and long-term loans	(1,575,290,000)	(131,880,000)	(57,800,000)	(28,500,000)
Repayment from short-term and long-term loans	618,372,397	27,249,967	-	-
Interest received	147,383,168	61,062,584	181,751,184	69,811,732
Cash received from advance income interest	200,769,275	729,966	-	-
Cash paid for purchase of investments in subsidiary	-	-	(315,000,000)	(1,253,000,000)
Cash received from decrease in investments in subsidiary	-	-	900,000,000	-
Proceeds from non-controlling interest of the subsidiaries for increase in share capital of subsidiaries	300,000,000	-	-	-
Cash paid for purchase of investments in associate	(12,766,430)	(419,463,595)	(12,515,539)	(71,795,719)
Cash received from sales of investments in associate	-	-	498,117,888	-
Cash received from decrease in investment in other companies	33,698	-	-	-
Dividend received from investments	473,298,114	137,302,728	778,065,310	417,408,827
Cash paid for purchases of land held for development	(71,464,003)	-	-	-
Cash received from sales of property, plant and equipment and investment properties	505,660,225	6,063,115	248,693	821,470
Cash paid for purchases of property, plant and equipment and investment properties	(608,016,729)	(551,588,289)	(82,327,515)	(41,826,496)
Cash received from sales of intangible assets	-	-	113,550	-
Cash paid for purchases of intangible assets	(4,885,995)	(6,012,781)	(3,308,929)	(4,109,648)
Cash paid for prepaid long-term rental fee	(85,000,000)	-	(85,000,000)	-
<b>Net cash flows used in investing activities</b>	<b>(1,300,725,738)</b>	<b>(979,636,024)</b>	<b>(1,063,373,816)</b>	<b>(1,680,637,219)</b>

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



# CASH FLOW STATEMENT (Continued)

MBK Public Company Limited and its subsidiaries  
 For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
<b>Cash flows from financing activities</b>				
Bank overdrafts	(3,695)	(258,105)	-	-
Proceed from short-term loans from related companies	53,275,000	12,107,225	140,180,000	1,279,537,000
Repayment of short-term loans from related companies	(58,500,000)	-	(953,826,000)	(328,860,000)
Proceeds from short-term loans from financial institutions	1,675,000,000	1,786,766,976	-	346,766,976
Repayment of short-term loans from financial institutions	(2,258,664,000)	(1,360,000,000)	(353,664,000)	-
Repayment of long-term loans from financial institutions	(888,960,000)	(128,000,000)	-	-
Repayment of long-term loans from related financial institutions	(56,412,000)	(13,500,000)	-	-
Interest paid	(270,522,361)	(195,666,552)	(407,833,527)	(219,164,742)
Dividend paid	(794,976,577)	(378,560,274)	(990,302,774)	(471,572,750)
Dividend paid to minority shareholders	(73,947,960)	(41,028,156)	-	-
Proceed from long-term debenture	3,395,320,798	698,878,440	3,395,320,798	698,878,440
Repayment of long-term debenture	-	(2,000,000,000)	-	(2,000,000,000)
<b>Net cash flows from financing activities</b>	<b>721,609,205</b>	<b>(1,619,260,446)</b>	<b>829,874,497</b>	<b>(694,415,076)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,086,289,927</b>	<b>(1,914,733,158)</b>	<b>986,080,747</b>	<b>(1,888,001,507)</b>
Cash and cash equivalents at beginning of year/period	654,825,685	2,569,558,843	403,270,082	2,291,271,589
<b>Cash and cash equivalents at the end of year/period</b>	<b>1,741,115,612</b>	<b>654,825,685</b>	<b>1,389,350,829</b>	<b>403,270,082</b>

**Supplemental cash flows information:**

Non-cash transactions:

Unrealised gains (losses) on available-for-sale securities	1,463,045,272	(16,200,960)	1,361,127,469	7,039,813
Unrealised losses on investments in receivables	-	(79,448)	-	(79,449)
Unrealised gains (losses) on investments in receivables of associate	(2,531,694)	7,895,557	-	-
Actuarial loss	(49,529,792)	-	(20,803,257)	-
Actuarial loss of associates	(3,105,082)	-	-	-
Translation adjustment of an associate	(1,758,969)	8,489,525	-	-

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MBK Public Company Limited and its subsidiaries  
For the year ended 31 December 2012

## **1. General information**

### **1.1 General information of the Company and its subsidiaries**

MBK Public Company Limited (the "Company") is a public company incorporated and domiciled in Thailand and listed on the Stock Exchange of Thailand. Its registered offices is 8th Floor MBK Center Building, 444 Phayathai Road, Pathumwan, Bangkok 10330. The principal business operations of the Company and its subsidiaries ("the Group") are summarised as follows:

- Shopping center and property for lease business
- Hotel and tour business
- Property development business
- Golf business
- Rice business
- Finance business
- Other businesses
- Support department

### **1.2 The agreement granting the right to utilise the shopping center at the Pathumwan intersection**

On 21 April 1983, the Company entered into agreements with Chulalongkorn University ("the university") for land rental and property development at the Pathumwan intersection for a period of 30 years, with an expiration date of 21 April 2013. At the end of the agreements, the Company has agreed to transfer all rights in building and property development constructed on the land under the lease agreements to the university.

On 16 October 2007, the Company and the university co-signed the lease agreement granting the right to utilise the shopping center at Pathumwan intersection for a period of 20 years (from 22 April 2013 to 21 April 2033). In addition, the Company paid Baht 2,519 million for the first right of refusal to enter into agreements with the university, and on 15 July 2009, the Company paid Baht 279 million for the registration of leasehold right - land and building to Department of Lands and those amounts are recorded as prepaid rental fee and classified as non-current asset in the statement of financial position.

### **1.3 Change of the accounting period**

The Group changed the accounting period from the period starting from 1 July to 30 June to the period starting from 1 January to 31 December according to a resolution of the Ordinary General Shareholders' Meeting on 31 October 2011, starting from the period ended 31 December 2011 onward. The first financial statements after the change in accounting period therefore present the financial transaction as from 1 July 2011 to 31 December 2011. The Group received the permission letter to change the accounting period from the Revenue Department.

## **2. Basis of preparation**

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

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

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

## **2.2 Basis of consolidation**

- a) The consolidated financial statements include the financial statements of MBK Public Company Limited ("the Company") and the following subsidiary companies ("the subsidiaries").

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			31 December 2012	31 December 2011
			%	%
<b>Directly owned</b>				
Paradise Park Company Limited*	Shopping center and property for lease	Thailand	50.00	50.00
Siam Delice Company Limited*	Dormant	Thailand	50.00	50.00
MBK Bangyai Company Limited	Dormant	Thailand	99.97	99.97
Glas Haus Ratchada Company Limited	Property for lease and real estate	Thailand	100.00	100.00
MBK Square Company Limited	Property management service	Thailand	99.97	99.97
MBK Smart Force Company Limited	Security service	Thailand	99.97	99.97
MBK Hotels and Resorts Company Limited	Hotel	Thailand	100.00	100.00
Supsinthane Company Limited	Hotel	Thailand	100.00	100.00
Lanta Land Development Company Limited	Hotel	Thailand	99.99	99.99
MBK Business Company Limited	Personnel management service	Thailand	99.99	99.99
MBK Hotels & Tourism Company Limited	Hotel management	Thailand	99.99	99.99
Riverdale Golf and Country Club Company Limited	Golf course and real estate	Thailand	99.99	99.99
Patum Rice Mill and Granary Public Company Limited	Rice mill production and distribution	Thailand	74.52	74.52
Primacy Elegance Investments Limited	Investment	British Virgin Island	100.00	100.00
MBK Premium Company Limited	Leasing and hire purchase	Thailand	100.00	100.00
T Leasing Company Limited	Motorcycle hire purchase	Thailand	99.99	99.99
X-Gen Premium Company Limited	Motorcycle dealer	Thailand	99.99	99.99
The Olympic Club Company Limited	Land rental	Thailand	100.00	100.00
MBK Center Company Limited	Dormant	Thailand	99.99	99.99
MBK Asset Company Limited	Dormant	Thailand	99.99	99.99
MBK Arcade Company Limited	Dormant	Thailand	99.99	99.99
MBK Training Center Company Limited	Training service	Thailand	99.97	99.97
MBK Broker Company Limited	Life assurance and insurance broker	Thailand	99.99	99.99
MBK Insurance Broker Company Limited	Dormant	Thailand	99.99	99.99
MBK Chiangmai Company Limited	Dormant	Thailand	99.97	-
M Racing Company Limited	Motorcycle dealer	Thailand	99.99	-
MBK Service Solution Company Limited	Consulting services	Thailand	99.97	-
MBK Real Estate Company Limited	Dormant	Thailand	99.97	-

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			31 December 2012	31 December 2011
			%	%
<b>Indirectly owned</b>				
The Nine Center Company Limited	Shopping center, property for lease and real estate	Thailand	99.98	99.98
Paradise Retail Company Limited***	Retail business in shopping center	Thailand	65.36	65.36
Glas Haus Building Company Limited	Property for lease	Thailand	99.99	99.99
MBK Food and Entertainment Company Limited	Food center	Thailand	81.23	81.23
MBK Capital Company Limited	Land rental	Thailand	99.93	99.93
Absolute Travel Company Limited	Sale agents of air tickets	Thailand	99.99	99.99
MBK Food Island Company Limited	Dormant	Thailand	81.17	81.17
Tantara Gallery Company Limited	Dormant	Thailand	63.20	63.20
MBK Resort Public Company Limited	Golf course and real estate	Thailand	72.60	72.60
NASSET PROPERTY FUND1	Property fund	Thailand	72.45	72.45
Phuket Loch Palm Golf Club Company Limited	Dormant	Thailand	72.60	72.60
PRG Granary Company Limited	Warehouse rental	Thailand	74.51	74.51
Ratchsima Rice Company Limited	Plant and machinery rental	Thailand	74.51	74.51
Sima Pac Company Limited**	Distribution and manufacture of plastic bags	Thailand	37.25	37.25
Plan Estate Company Limited	Real estate	Thailand	72.60	72.60
Crystal Lake Properties Company Limited	Real estate	Thailand	72.60	72.60
C L P Management Company Limited	Property management service	Thailand	72.60	72.60
Plan Appraisal Company Limited	Survey and appraisal services	Thailand	72.60	72.60
Lan Bangna Company Limited	Cessation of warehouse rental service since February 2012	Thailand	72.60	72.60
MBK Guarantee Company Limited	Lending and debt guarantee business	Thailand	99.98	99.98
Kathu Land Company Limited	Dormant	Thailand	70.36	70.36
MBK Residence Company Limited	Real estate	Thailand	99.96	99.96
MBK Advance Company Limited	Dormant	Thailand	99.87	99.87
M G 1 Company Limited	Dormant	Thailand	99.97	-
M G 2 Company Limited	Dormant	Thailand	99.97	-

\* The Company has the direct holding of 50.00% and the indirect holding of 15.36% through Siam Piwat Company Limited, total direct and indirect holding of 65.36%

\*\* The Group has control over the finance and operating policies of Sima Pac Company Limited, through the Board of Directors of that company.

\*\*\* The Company has the indirect holding of 65.36% through Paradise Park Company Limited.

During the year 2012, there were the following significant changes:

On 2 February 2012, a resolution of the meeting of the Board of the Directors of Paradise Park Company Limited, a subsidiary, authorised to increase registered capital from Baht 100 million to Baht 700 million, by issuing 6,000,000 new ordinary shares with a par value of Baht 100, a total of Baht 600 million. The share allocation to the Company totaled 3,000,000 new ordinary shares, or 50% of total new shares, at a price of Baht 100 per share, or a total of Baht 300 million. The Company paid in the called-up share subscription on 29 February 2012. However, the Company's shareholding interest will remain no change.

On 17 February 2012, MBK Entertainment Company Limited, a subsidiary, changed the name to "MBK Food and Entertainment Company Limited" and registered with the Ministry of Commerce to conform with the operations of the business.

On 22 March 2012, the Company established of a new subsidiary company, named MBK Chiangmai Company Limited, with a registered share capital amounting to Baht 1 million. The Company holds 9,997 ordinary shares of such company with a par value of Baht 100 per share, a 99.97% holding.

On 30 April 2012, MBK Life Assurance Broker Company Limited, a subsidiary, changed the name to "MBK Broker Company Limited" and registered with the Ministry of Commerce to conform with the operations of the business.

On 29 May 2012, the Company established of a new subsidiary company, named M Racing Company Limited, with a registered share capital amounting to Baht 10 million. The Company holds 99,997 ordinary shares of such company with a par value of Baht 100 per share, a 99.99% holding.

On 20 June 2012, MBK Guarantee Company Limited, a subsidiary, established of 2 new subsidiary companies, named M G 1 Company Limited and M G 2 Company Limited, with registered share capital amounting to Baht 1 million and 1 million, respectively. MBK Guarantee Company Limited holds 9,997 and 9,997 ordinary shares of such companies with par value of Baht 100 and Baht 100 per share, 99.97% and 99.97% holding respectively.

On 1 October 2012, MBK Hospitality Management Company Limited, a subsidiary, changed the name to “MBK Hotels & Tourism Company Limited” and registered with the Ministry of Commerce to conform with the operations of the business.

On 25 October 2012, the Company established of 2 new subsidiary companies, named MBK Service Solution Company Limited and MBK Real Estate Company Limited, with registered share capital amounting to Baht 1 million and 1 million, respectively. The Company holds 9,997 and 9,997 ordinary shares of such companies with par value of Baht 100 and Baht 100 per share, 99.97% and 99.97% holding respectively.

- b) 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.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- e) 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, which present investments in subsidiaries and associates presented under the cost method, have been prepared solely for the benefit of the public.

### 3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new and revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance

TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

Financial reporting standard:

TFRS 8 Operating Segments

Accounting standard interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting standard interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial reporting standard interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014



The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, SIC 29, TFRIC 4 and TFRIC 12 are not relevant to the business of the Company. Management is still evaluating the first-year impact to the financial statements of the adoption of TFRIC 13 and has yet to reach a conclusion.

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

##### **4.1 Revenue and expense recognition**

a) Revenue from hotel and restaurant operations

Revenue from hotel and restaurant operations mainly comprises room sales, food and beverage sales and revenues from auxiliary activities, and is recognised when the services are completed.

b) Rental and service income related with property business

Rental and related services income from units in office buildings, residential buildings and shopping centers are recognised as revenue as time passes.

c) Sales

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.

d) Service income

Service revenue is recognised when services have been rendered taking into account the stage of completion.

e) Revenues from sales of properties

The subsidiaries recognised revenues from sales of land and house constructed thereon and assigned ownership to buyers after receiving full payment from them. Since the group of customers who wanted to buy the properties had the limitation of ownership in land (mostly customers are foreigners), the subsidiaries were to make agreements in order to be legally enforced in the form of long-term lease contracts with customers for the period of 30 years with an option to renew the lease for the next 30 years or the maximum period as permitted by law. In this regard, the subsidiaries accounted for the revenues from such transactions as sales of properties in order to present the accounting transactions and events based on the substance and economic reality, not the legal form alone, to comply with the "Substance over Form" basis.

f) Hire purchase income

The subsidiary recognise interest income under hire purchase contracts under the effective interest method and ceases accruing interest income for hire purchases receivable on which payments have been defaulted for more than three months. Interest is then recognised as income on an accrual basis until settlement of the overdue debt has been received.

g) Interest income and dividend

Interest income is recognised as income on an accrual basis based on the effective interest rate. Dividends are recognised as income when the right to receive the dividends is established.

#### **4.2 Cash and cash equivalent**

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 and allowance for doubtful accounts**

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 based on analysis of debtor aging, current status of receivables outstanding at the end of reporting period, and the likelihood of settlement of debt, on a specific account basis.

#### **4.4 Hire purchase receivable and allowances for doubtful accounts**

Hire purchase receivable is stated at the net realisable value of which comprises of contract value of the hire purchase receivable net of unearned income, and allowance for doubtful accounts.

The subsidiary provides allowance for doubtful accounts at percentages of the outstanding balances of account receivable net of unearned interest income, based on the number of months overdue. For amounts no more than 3 months overdue, the Company sets allowance for doubtful accounts based on the amount of debt remaining after deducting the value of collateral assets.

Any increase (decrease) in an allowance for doubtful accounts is recognised as an expense during the year. In addition, the Company written off receivables as bad debts when the relevant criteria under tax law are met, and the amount written-off is deducted from allowance for doubtful accounts. Bad debts recovery is recognised as income in profit or loss.

#### **4.5 Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost being determined by the weighted average or the first-in, first-out basis. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory. The cost of finished goods comprises direct materials, direct labour, other direct costs and related production overhead, the latter being allocated on the basis of normal operating activities. Net realisable value is the estimates of selling price in the ordinary course of business, less the costs of completion and selling expenses.

Inventories for development business of commercial building for sales, which comprise land, building and equipment, are valued at the lower of cost and net realisable value. The cost is determined by the specific unit cost method.

Inventories for property development business, which comprise land, land development cost, houses under constructions, for sales are valued at the lower of cost and net realisable value. The costs of inventories are determined by the specific unit cost method.

#### **4.6 Property development costs**

Property development costs are stated at cost less allowance for loss of projects. Costs comprise the acquisition costs of land, land development costs, the construction costs of infrastructure and related other costs.

#### 4.7 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- b) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income. The debt securities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity.
- c) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on impairment (if any).
- d) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- e) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined on based on the yield rates quoted by the Thai Bond Market Association. The fair value of unit trust is determined from unit trust's net asset value.

The Group use weighted average method for computation of the cost of investments.

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment which is reclassified.

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

#### 4.8 Intangible assets

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 the profit or loss.

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

Computer software	3 - 10 years
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#### 4.9 Leasehold right

##### a) Leasehold right to land

When a lessee enters into a land lease agreement, making payment to obtain the right to lease the land, or advance lease payments, or key money, under whatever name, the lessee recognises the amount paid as a prepaid rental expenses and amortises it to expenses over the lease term, in accordance with TAS 17 (revised 2009) Leases. This is because a characteristic of land is that it usually has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, and the lessee does not receive substantially all of the risks and rewards incidental to ownership, the lease agreement is classified as an operating lease. The lessee need to review for impairment at the end of each reporting period, whenever there are indicators that the leasehold right may be impaired.

##### b) Leasehold right to building

Land lease agreement that requires the lessee to construct a building on the leased land and transfer ownership of this to the landowner when construction is completed or termination of contract, and which have a term shorter than the useful life of building, will have rental rates that are lower than market rates since a part of the rental is embedded in the construction expense paid by the lessee. The lessee is to separate the land and building elements based on the market rental rate, and if the lease term covers the majority of the economic life of the building, the entire lease is classified as a finance lease. The lessee recognises the entire lease as a fixed asset in amount equal to the cost of construction net of the allocation to land rental.

#### **4.10 Goodwill**

Goodwill is initially recorded at cost, which equal to the excess of the cost of business combination over the fair value of the net assets. 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's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Group estimates 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.

#### **4.11 Property held for development**

Property held for development is presented at the cost less the allowance for loss on impairment of assets (if any).

#### **4.12 Investment properties**

Investment properties are initially recorded of investment properties at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 5 - 40 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

#### 4.13 Property, plant and equipment and depreciation

Land is stated at cost. Land improvement, building and building improvements, and equipment are stated at cost less accumulated depreciation and the allowance for impairment (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:

Land improvement	5 - 20 years
Buildings and building improvements	5 - 30 years and 40 years
Machinery and equipment	5 - 20 years
Furniture, fixture and office equipment	3 - 10 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation has been provided on land and construction in progress.

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.

#### 4.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 4.15 Treasury stock

Treasury stock, which is the Company's ordinary shares purchased by its subsidiaries, is carried at cost and presented as a deduction item from the total shareholders' equity. Gains and losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to "Premium on treasury stock" or deducted from "Retained earnings".

#### **4.16 Leases - where the Group is the lessee**

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

Lease of property, plant and 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.

#### **4.17 Leases - where the Group is the lessor**

Lease agreement under which the Company transfers the risks and rewards of ownership to the lessee, excluding legal ownership, is deemed finance lease. The Company recognised income from financial lease by using effective interest rate method over the lease term, except that payments that have been outstanding for 6 consecutive months are recognised as income on a cash basis.

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

#### **4.18 Related party transactions**

Related parties comprise enterprises and individuals that control or are controlled by the Group, whether directly or indirectly, or which are under common control with the Group. They also include associated companies and individuals which directly or indirectly own a voting interest in the Group that gives them significant influence over the Group, key management personnel, directors and officers with authority in the planning and direction of the Group's operations.



#### **4.19 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 Group and their employees have jointly established a provident fund. The fund is monthly contributed by employee and the Group. The fund's assets are held in a separate trust fund and the Group's contributions are recognised as expenses when incurred.

###### *Defined benefit plans*

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats 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.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Group elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

#### **4.20 Provisions**

Provisions are recognised when the Group has 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.

#### **4.21 Income tax**

Income tax comprised current tax and deferred tax, as follows:

##### **Current tax**

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 Group recognises deferred tax liabilities for all taxable temporary differences while it recognises 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 the end of each reporting period, the Group reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.22 Foreign currencies**

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.

#### **4.23 Derivatives**

##### **Interest rate swap contracts**

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

##### **Cross currency swap agreement**

Payables and receivables arising from cross currency swap agreements are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are recognised in profit or loss.

#### **4.24 Segment reporting**

Business segment provides products or services that are subject to risks and returns that are different from those of other business segments.

Segment information is presented by business segment of the Group.

#### **4.25 Impairment of assets**

At the end of each reporting period, the Group performs 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 Group also carries 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.

An impairment loss is recognised in profit or loss.

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

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

## **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment 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 judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

## **Fair value of financial instruments**

In determining the fair values of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, with the calculation performed using an acceptable valuation basis. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

## **Impairment of equity investments**

The Group treats available-for-sale investments and other 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.

## **Investment property**

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

In addition, the management is required to review investment properties for impairment on a periodical basis and record impairment losses in the period 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.

**Property, plant and equipment/Depreciation**

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

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

**Goodwill and intangible assets**

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

**Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgment 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.

**Litigation**

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

## 6. Cash and cash equivalents

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Cash on hand	15,183,254	13,716,322	3,821,805	2,942,857
Cash at banks	1,361,954,291	326,115,694	1,035,529,024	100,327,225
Bills of exchange with maturity not over 3 months	363,978,067	314,993,669	350,000,000	300,000,000
<b>Cash and cash equivalents</b>	<b>1,741,115,612</b>	<b>654,825,685</b>	<b>1,389,350,829</b>	<b>403,270,082</b>

As at 31 December 2012, bank deposits in savings accounts, fixed deposits and bills of exchange carried interests between 0.12 and 3.22 percent per annum (2011: between 0.50 and 3.15 percent per annum).

## 7. Current investments

(Unit: Baht)

	Consolidated financial statements			
	31 December 2012		31 December 2011	
	Cost	Fair value	Cost	Fair value
<b>Available-for-sale securities</b>				
Equity securities	707,003,925	1,084,186,929	2,424,525,770	4,254,617,645
Add: Unrealised gains on changes in values of investments	377,183,004	-	1,830,091,875	-
	<u>1,084,186,929</u>	<u>1,084,186,929</u>	<u>4,254,617,645</u>	<u>4,254,617,645</u>
<b>Held-to-maturity within 1 year debt securities</b>				
Debt securities	12,000,000	12,000,000	28,000,000	28,000,000
<b>Current investments</b>	<b>1,096,186,929</b>	<b>1,096,186,929</b>	<b>4,282,617,645</b>	<b>4,282,617,645</b>

(Unit: Baht)

	Separate financial statements			
	31 December 2012		31 December 2011	
	Cost	Fair value	Cost	Fair value
<b>Available-for-sale securities</b>				
Equity securities	274,553,394	576,126,927	1,943,115,239	3,778,986,216
Add: Unrealised gains on changes in values of investments	301,573,533	-	1,835,870,977	-
<b>Current investments</b>	<b>576,126,927</b>	<b>576,126,927</b>	<b>3,778,986,216</b>	<b>3,778,986,216</b>

The movements on current investments during the year/period are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the six-month period ended	For the year ended 31 December 2012	For the six-month period ended
		31 December 2011		31 December 2011
Opening net book value - net	4,282,617,645	4,496,237,448	3,778,986,216	4,001,417,761
Increase in investments	12,000,000	57,869,305		29,869,305
Sales of investments		(90,472)		(90,472)
Repayment	(28,000,000)	-		-
Reclassified from current investments to long-term investments	(3,566,160,200)	-	(3,475,210,200)	-
Changes in fair values of available-for-sale securities	395,729,484	(271,398,636)	272,350,911	(252,210,378)
Closing net book value - net	1,096,186,929	4,282,617,645	576,126,927	3,778,986,216

## 8. Trade and other receivables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	<u>Trade receivables - related parties</u>			
Aging from the maturity				
Not yet due	1,488,216	934,820	3,106,857	2,349,427
Past due				
Overdue 1-30 days	3,875,962	2,693,434	262,023	468,169
Overdue more than 30 - 60 days	266,438	40,090	257,307	83,016
Overdue more than 60 - 90 days	206,504	201,124	10,179	101,843
Overdue more than 90 days	630,781	866,611	480,991	1,430,456
Total	6,467,901	4,736,079	4,117,357	4,432,911
Less: Allowance for doubtful accounts	(69,874)	(124,967)	(69,874)	(124,967)
Total trade receivables - related parties, net	6,398,027	4,611,112	4,047,483	4,307,944

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
<u>Trade receivables - unrelated parties</u>				
Aging from the maturity				
Not yet due	301,229,280	239,558,552	13,944,522	11,047,190
Past due				
Overdue 1-30 days	83,936,176	99,679,066	28,066,140	22,905,452
Overdue more than 30 - 60 days	21,901,078	28,756,240	5,568,645	2,746,052
Overdue more than 60 - 90 days	6,828,072	8,592,726	1,081,548	1,042,165
Overdue more than 90 days	22,565,977	15,346,876	1,702,522	2,932,091
Total	436,460,583	391,933,460	50,363,377	40,672,950
Less: Allowance for doubtful accounts	(7,301,804)	(11,582,814)	(3,025,304)	(3,836,039)
Total trade receivables - unrelated parties, net	429,158,779	380,350,646	47,338,073	36,836,911
Total trade receivables - net	435,556,806	384,961,758	51,385,556	41,144,855
<u>Other receivables - related parties</u>				
Advances - related parties	548,558	-	-	-
Interest receivable - related parties	1,387,917	188,269	4,095,312	189,485
Prepaid expenses - related parties	280,790	13,899,366	15,723	13,894,812
Other receivables - related parties	45,484	2,124,825	-	-
Total other receivables - related parties	2,262,749	16,212,460	4,111,035	14,084,297
<u>Other receivables - unrelated parties</u>				
Advances - unrelated party	5,802,770	5,305,126	-	-
Interest receivable - unrelated parties	8,635,681	10,536,019	1,316,781	1,120,000
Prepaid expenses - unrelated parties	68,082,304	31,137,303	33,141,674	15,950,824
Other receivables - unrelated parties	56,627,171	70,848,857	6,805,850	7,325,261
Total other receivables - unrelated parties	139,147,926	117,827,305	41,264,305	24,396,085
Total other receivables	141,410,675	134,039,765	45,375,340	38,480,382
Trade and other receivables - net	576,967,481	519,001,523	96,760,896	79,625,237



## 9. Hire purchase receivables

The average contract period of hire purchase receivables are 2 - 3 years with interest charged at the fixed rate as specified in the contracts. The remaining hire purchase receivables classify by due date are as follows:

(Unit: Baht)

Consolidated financial statements				
31 December 2012				
Amounts due under the agreement				
	Less than		Non performing	
	1 year	1 - 5 years	loans <sup>(3)</sup>	Total
Gross investment in the agreement	1,267,199,066	918,750,348	86,024,086	2,271,973,500
Unearned financial income <sup>(1)</sup>	(395,370,722)	(165,117,265)	(23,144,251)	(583,632,238)
Minimum payments over the hire purchase term	871,828,344	753,633,083	62,879,835	1,688,341,262
Allowance for doubtful accounts <sup>(2)</sup>				(67,873,370)
Hire purchase receivables - net				1,620,467,892
Less: Current portion of hire purchase receivables				(866,834,809)
Hire purchase receivables - portion due more than 1 year				753,633,083

(Unit: Baht)

Consolidated financial statements				
31 December 2011				
Amounts due under the agreement				
	Less than		Non performing	
	1 year	1 - 5 years	loans <sup>(3)</sup>	Total
Gross investment in the agreement	762,760,824	473,131,109	82,482,439	1,318,374,372
Unearned financial income <sup>(1)</sup>	(217,832,364)	(85,021,133)	(18,693,483)	(321,546,980)
Minimum payments over the hire purchase term	544,928,460	388,109,976	63,788,956	996,827,392
Allowance for doubtful accounts <sup>(2)</sup>				(55,141,612)
Hire purchase receivables - net				941,685,780
Less: Current portion of hire purchase receivables				(553,575,804)
Hire purchase receivables - portion due more than 1 year				388,109,976

(1) After deduction of commission and deferred initial direct costs of hire-purchase

(2) Because the Group is unable to separate allowance for doubtful accounts into that for the current portion (due within 1 year) and that for the long-term portion, all allowance for doubtful accounts is presented as a deduction against the current portion of hire purchase receivables.

(3) Non-performing loans are loans that cease revenue recognition on the accrual basis, presenting the current portion of receivables.

Hire purchase receivables were classified by aging from the maturity date as stated in the contract as follows:

(Unit: Baht)

	Consolidated financial statements	
	31 December 2012	31 December 2011
Not yet due	1,468,127,891	574,492,062
Past due 1 - 3 months	155,414,961	371,763,118
Past due 3 - 6 months	43,601,714	39,651,289
Past due 6 - 12 months	10,224,979	2,656,840
Past due over 12 months	10,971,717	8,264,083
Total	1,688,341,262	996,827,392
Less: Allowance for doubtful accounts	(67,873,370)	(55,141,612)
Hire purchase receivable - net	1,620,467,892	941,685,780

## 10. Inventories

(Unit: Baht)

	Consolidated financial statements					
	Cost		Decrease to net realisable value		Inventories - net	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Property development for sale	1,224,224,369	839,731,935	-	-	1,224,224,369	839,731,935
Finished goods	106,734,780	203,452,845	(2,166,006)	(2,156,307)	104,568,774	201,296,538
Raw materials	127,828,258	154,196,071	(947,293)	(726,549)	126,880,965	153,469,522
Supplies and equipment						
for operations	104,334,140	89,244,066	(2,047,200)	-	102,286,940	89,244,066
Food and beverage	15,306,117	14,569,670	-	-	15,306,117	14,569,670
Work in process	4,926,291	6,827,704	-	-	4,926,291	6,827,704
Good in transit	178,820	-	-	-	178,820	-
Total inventories	1,583,532,775	1,308,022,291	(5,160,499)	(2,882,856)	1,578,372,276	1,305,139,435

(Unit: Baht)

	Separate financial statements					
	Cost		Decrease to net realisable value		Inventories - net	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Supplies and equipment for operations	36,819,839	32,105,668	-	-	36,819,839	32,105,668
Food and beverage	4,951,005	5,125,835	-	-	4,951,005	5,125,835
Total inventories	41,770,844	37,231,503	-	-	41,770,844	37,231,503

As at 31 December 2012, a subsidiary has pledged inventories of approximately Baht 161 million (2011: Baht 296 million) to secure a loan facility from a financial institution, as discussed in Note 21.

## 11. Other current assets

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
Deposit and advance	5,073,334	9,478,519	3,199,777	4,812,878
Loan to cooperative	12,803,975	4,000,000	12,783,852	4,000,000
Value added tax refundable	135,710,713	118,341,800	6,941,362	4,975,153
Withholding deducted at source	27,064,094	71,267,980	-	-
Others	38,391,947	46,499,046	2,053,309	1,151,208
Other current assets	219,044,063	249,587,345	24,978,300	14,939,239

## 12. Investments in associates

12.1 Investments in associates as at 31 December 2012 and 2011 comprise the following:

	Nature of business	Country of incorporation	Shareholding percentage both directly and indirectly owned	
			31 December	31 December
			2012	2011
			%	%
<b>Listed company</b>				
Royal Orchid Hotel (Thailand) Public Company Limited	Hotel	Thailand	29.85	29.77
<b>Nonlisted companies</b>				
Siam Piwat Company Limited	Shopping center and property for lease	Thailand	30.72	30.72
Max Asset Management Company Limited	Asset management	Thailand	16.56	16.55
Paemala Spa Company Limited	Spa	Thailand	25.00	25.00
Puen Pob Patt Company Limited	Dormant	Thailand	36.29	36.29
MBK Leisure Company Limited	Tour and hotel reservation service	Thailand	49.00	49.00
Apple Auto Auction (Thailand) Company Limited	Vehicle broker	Thailand	49.99	49.99
Innofood (Thailand) Company Limited	Development of rice product	Thailand	27.94	27.94
DMS Property Investment Private Limited	Hotel	Maldives	30.00	30.00
Lam Luk Ka Golf and Country Club Company Limited	Golf course	Thailand	28.05	26.37

(Unit: Baht)

Consolidated financial statements						
				Share of profit (loss) from		
Cost		Carrying amount based on		investments in associates during		
		equity method		the year/six-month period ended		
31 December	31 December	31 December	31 December	31 December	31 December	
2012	2011	2012	2011	2012	2011	
<b>Listed company</b>						
Royal Orchid Hotel (Thailand) Public Company Limited	731,903,292	730,319,260	427,315,167	446,434,630	(20,703,495)	(38,696,326)
<b>Nonlisted companies</b>						
Siam Piwat Company Limited	947,012,157	947,012,157	1,399,316,142	1,307,599,822	212,628,320	105,462,256
Max Asset Management Company Limited	94,723,200	94,723,200	246,396,397	337,138,678	21,354,016	8,441,344
Paemala Spa Company Limited	1,250,000	1,250,000	-	-	-	-
Puen Pob Patt Company Limited	479,530	479,530	-	-	-	-
MBK Leisure Company Limited	245,000	245,000	-	-	-	-
Apple Auto Auction (Thailand) Company Limited	45,000,000	45,000,000	43,079,310	41,849,793	1,370,364	(2,630,774)
Innofood (Thailand) Company Limited	7,874,600	7,874,600	2,251,506	3,016,498	(764,992)	(745,889)
DMS Property Investment Private Limited	347,667,876	347,667,876	260,552,628	338,651,595	(75,900,256)	(19,628,187)
Lam Luk Ka Golf and Country Club Company Limited	187,587,182	178,404,784	178,816,390	184,345,107	7,029,390	(1,102,212)
<b>Investments in associates</b>	<b>2,363,742,837</b>	<b>2,350,976,407</b>	<b>2,557,727,540</b>	<b>2,639,036,123</b>	<b>145,013,347</b>	<b>51,100,212</b>

(Unit: Baht)

Separate financial statement			
Investment at cost method		Dividend received for the year/ six-month period ended	
31 December	31 December	31 December	31 December
2012	2011	2012	2011
<b>Listed company</b>			
Royal Orchid Hotel (Thailand) Public Company Limited	-	730,319,260	-
<b>Nonlisted companies</b>			
Siam Piwat Company Limited	947,012,157	947,012,157	120,912,000
Max Asset Management Company Limited	94,723,200	94,723,200	108,931,680
Puen Pob Patt Company Limited	479,530	479,530	-
Apple Auto Auction (Thailand) Company Limited	45,000,000	45,000,000	-
Lam Luk Ka Golf and Country Club Company Limited	187,587,181	178,404,784	-
<b>Investments in associates</b>	<b>1,274,802,068</b>	<b>1,993,938,931</b>	<b>229,843,680</b>
Less: Allowance for impairment of investments	(479,530)	(479,530)	-
<b>Investments in associates - net</b>	<b>1,274,322,538</b>	<b>1,993,459,401</b>	<b>33,153,120</b>

## 12.2 The movements on investments in associates during the year/period are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	Investment at equity method		Investment at cost method	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
	<b>For the year/period ended</b>			
Book value at the beginning of year/period - net	2,639,036,123	2,105,450,622	1,993,459,401	1,817,054,617
Reclassify Investments in other companies to investments in associates	-	93,651,600	-	104,609,065
Cumulative effect of change in accounting policy for employee benefits	-	(8,833,676)	-	-
Increase in investments in associates	12,766,430	419,463,595	12,515,539	71,795,719
Share of profit from investments in associates	145,013,347	51,100,212	-	-
Dividend received from associates	(229,843,680)	(33,153,120)	-	-
Sale of investments in associates	-	-	(731,652,402)	-
Other changes in investments in associates	(9,244,680)	11,356,890	-	-
Book value at the ending of year/period - net	2,557,727,540	2,639,036,123	1,274,322,538	1,993,459,401

## 12.3 Fair value of investment in associate which is listed company on the Stock Exchange of Thailand.

(Unit: Million Baht)

	Fair value as at 31 December	
	2012	2011
	Royal Orchid Hotel (Thailand) Public Company Limited	518

## 12.4 Summarised financial information of associates

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the year/six-month period ended		Net income (loss) for the year/ six-month period ended	
	31	31	31	31	31	31	31	31	31	31
	December	December	December	December	December	December	December	December	December	December
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>Listed company</b>										
Royal Orchid Hotel (Thailand) Public Company Limited	937.50	937.50	1,212.66	1,433.23	401.23	567.34	847.27	293.58	(54.45)	122.50
<b>Nonlisted companies</b>										
Siam Piwat Company Limited	174.00	174.00	12,107.10	11,809.53	7,897.23	7,825.85	3,730.97	1,596.07	996.78	439.01
Max Asset Management Company Limited	572.00	572.00	1,032.55	1,483.59	44.65	118.33	359.56	85.64	280.44	55.50
Paemala Spa Company Limited	5.00	5.00	18.06	17.04	32.70	34.45	12.89	5.58	3.49	2.63
Puen Pob Patt Company Limited	1.00	1.00	0.48	0.63	0.03	0.13	-	-	(0.04)	-
MBK Leisure Company Limited	1.05	1.05	4.34	2.19	26.06	23.17	15.30	4.07	(0.71)	(1.41)
Apple Auto Auction (Thailand) Company Limited	90.00	90.00	177.87	124.77	91.62	41.04	130.73	46.19	2.74	(5.26)
Innofood (Thailand) Company Limited	21.00	21.00	7.16	9.58	1.15	1.47	5.88	1.02	2.11	(1.89)
DMS Property Investment Private Limited	1,157.53	1,157.53	2,320.86	2,252.12	1,453.82	1,124.64	331.51	-	(253.00)	(65.43)
Lam Luk Ka Golf and Country Club Company Limited	1,454.00	1,454.00	1,352.44	1,325.27	63.61	63.68	124.58	30.19	26.14	(10.06)

12.5 During the year 2012, the Company invested in Lam Luk Ka Golf and Country Club Company Limited by purchasing the additional common shares from unrelated party at a price of Baht 4.60 per share, for a total of Baht 11.18 million which effected to the percentage of holding increased from 26.37% to 28.05%.

### 13. Investments in subsidiaries

Investments in subsidiaries as at 31 December 2012 and 2011 comprise the following:

	Paid-up capital		Shareholding percentage both directly and indirectly owned	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	Thousand Baht	Thousand Baht	%	%
<b>Listed company</b>				
Patum Rice Mill and Granary Public Company Limited	600,000	600,000	74.52	74.52
<b>Nonlisted companies</b>				
Riverdale Golf and Country Club Company Limited	4,000,000	4,000,000	99.99	99.99
MBK Hotels and Resorts Company Limited	2,200,000	2,200,000	100.00	100.00
Glas Haus Ratchada Company Limited	1,083,500	1,083,500	100.00	100.00
The Olympic Club Company Limited	700,000	700,000	100.00	100.00
MBK Business Company Limited	570,000	570,000	99.99	99.99
MBK Premium Company Limited	528,319	528,319	100.00	100.00
Supsinthane Company Limited	505,325	505,325	100.00	100.00
MBK Asset Company Limited	300,000	300,000	99.99	99.99
Primacy Elegance Investments Limited	111	111	100.00	100.00
MBK Smart Force Company Limited	1,000	1,000	99.97	99.97
MBK Center Company Limited	2,000	2,000	99.99	99.99
MBK Arcade Company Limited	300,000	1,200,000	99.99	99.99
MBK Square Company Limited	1,000	1,000	99.97	99.97
Paradise Park Company Limited	700,000	100,000	65.36	65.36
MBK Hotels & Tourism Company Limited	5,000	5,000	99.99	99.99

	Paid-up capital		Shareholding percentage both directly and indirectly owned	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	Thousand Baht	Thousand Baht	%	%
<b>Nonlisted companies (continued)</b>				
T Leasing Company Limited	180,000	180,000	99.99	99.99
X-Gen Premium Company Limited	50,000	50,000	99.99	99.99
Siam Delice Company Limited	20,000	20,000	65.36	65.36
Lanta Land Development Company Limited	340,000	340,000	99.99	99.99
MBK Bangyai Company Limited	1,000	1,000	99.97	99.97
MBK Training Center Company Limited	1,000	1,000	99.97	99.97
MBK Insurance Broker Company Limited	2,000	2,000	99.99	99.99
MBK Broker Company Limited	4,000	2,000	99.99	99.99
MBK Chiangmai Company Limited	1,000	-	99.97	-
M Racing Company Limited	10,000	-	99.99	-
MBK Service Solution Company Limited	1,000	-	99.97	-
MBK Real Estate Company Limited	1,000	-	99.97	-

The details of investment in subsidiaries is presented in separate financial statement, are as follows:

	(Unit: Baht)			
	Investment at cost method		Dividend received for the year/ six-month period ended	
	31 December	31 December	31 December	31 December
	2012	2011	2012 (for the year)	2011 (for the six-month period)
<b>Listed company</b>				
Patum Rice Mill and Granary Public Company Limited	422,235,195	422,235,195	190,030,675	100,604,475
<b>Nonlisted companies</b>				
Riverdale Golf and Country Club Company Limited	3,999,992,100	3,999,992,100	29,999,940	-
MBK Hotels and Resorts Company Limited	2,200,000,000	2,200,000,000	22,800,000	97,200,000
Glas Haus Ratchada Company Limited	1,000,015,000	1,000,015,000	11,200,000	30,500,000
The Olympic Club Company Limited	672,750,000	672,750,000	2,000,000	4,400,000
MBK Business Company Limited	570,000,000	570,000,000	14,850,000	41,800,000
MBK Premium Company Limited	528,319,300	528,319,300	10,500,000	26,500,000
Supsinthanee Company Limited	500,005,325	500,005,325	-	10,500,000
MBK Asset Company Limited	300,000,000	300,000,000	-	-
Primacy Elegance Investments Limited	110,900	110,900	-	-
MBK Smart Force Company Limited	1,344,939	1,344,939	900,000	5,280,000
MBK Center Company Limited	2,000,000	2,000,000	-	-
MBK Arcade Company Limited	300,000,000	1,200,000,000	41,520,000	-
MBK Square Company Limited	1,000,000	1,000,000	1,050,000	1,700,000
Paradise Park Company Limited	818,900,172	518,900,172	-	-
MBK Hotels & Tourism Company Limited	5,000,000	5,000,000	-	-
T Leasing Company Limited	213,000,000	213,000,000	56,700,000	-
X-Gen Premium Company Limited	50,000,000	50,000,000	-	-
Siam Delice Company Limited	5,283,708	5,283,708	-	-
Lanta Land Development Company Limited	420,101,235	420,101,235	-	-

	Investment at cost method		Dividend received for the year/ six-month period ended	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
<b>Nonlisted companies (continue)</b>				
MBK Bangyai Company Limited	1,000,000	1,000,000	-	-
MBK Training Center Company Limited	1,000,000	1,000,000	-	-
MBK Insurance Broker Company Limited	2,000,000	2,000,000	-	-
MBK Broker Company Limited	4,000,000	2,000,000	-	-
MBK Chiangmai Company Limited	1,000,000	-	-	-
M Racing Company Limited	10,000,000	-	-	-
MBK Service Solution Company Limited	1,000,000	-	-	-
MBK Real Estate Company Limited	1,000,000	-	-	-
<b>Investments in subsidiaries</b>	<b>12,031,057,874</b>	<b>12,618,057,874</b>	<b>381,550,615</b>	<b>318,484,475</b>
Less: Allowance for impairment of investments	(66,092)	(66,092)		
<b>Investments in subsidiaries, net</b>	<b>12,030,991,782</b>	<b>12,615,991,782</b>		

The movements on investments in subsidiaries in the separate financial statements during the year/period are as follows:

	(Unit: Baht)	
	Separate financial statements	
	Investment at cost method	
	31 December	31 December
	2012	2011
<b>For the year / period ended</b>		
Opening net book value at the beginning of year/period - net	12,615,991,782	11,362,991,782
Increase in investments in subsidiaries	315,000,000	1,253,000,000
Decrease in investments in subsidiaries	(900,000,000)	-
Closing net book value at the end of year/period - net	12,030,991,782	12,615,991,782

#### 14. Other long-term investments

Other long-term investments as at 31 December 2012 and 2011 comprise the following:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
Long-term investment - related companies	5,029,218,600	-	4,904,268,600	-
Investments in receivables	548,519	548,519	548,519	548,519
Investments in other companies	14,678,034	14,711,732	10,788,986	10,788,986
Other long-term investments	5,044,445,153	15,260,251	4,915,606,105	11,337,505



Long-term investment - related companies as at 31 December 2012 comprise the following:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	Cost	Fair value	Cost	Fair value
<b>Available-for-sale securities</b>				
Equity securities	1,717,521,845	5,029,218,600	1,668,561,845	4,904,268,600
Add: Unrealised gain on changes in value of investment	3,311,696,755	-	3,235,706,755	-
Long-term investment - related companies	<u>5,029,218,600</u>	<u>5,029,218,600</u>	<u>4,904,268,600</u>	<u>4,904,268,600</u>

The movements on long-term investment - related companies during the year are as follows:

	(Unit: Baht)	
	For the year ended 31 December 2012	
	Consolidated	Separate
	financial statements	financial statements
Book value at the beginning of year - net	-	-
Reclassify current investments to long-term investments	3,566,160,200	3,475,210,200
Change in fair value of available-for-sale securities	1,463,058,400	1,429,058,400
Book value at the end of year - net	<u>5,029,218,600</u>	<u>4,904,268,600</u>

## 15. Loans

The Group has finance business segment which operated in lending business with secured short-term and long-term loans. Details are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Installment receivables	65,660,592	95,343,179	10,689,513	15,956,080
Loans	3,291,408,166	2,334,490,562	1,116,800,000	1,059,000,000
Total	3,357,068,758	2,429,833,741	1,127,489,513	1,074,956,080
Less: Current portion of installment receivables, short- term and long-term loans	(235,417,564)	(779,184,990)	(3,470,304)	(5,247,296)
Net of current portion	<u>3,121,651,194</u>	<u>1,650,648,751</u>	<u>1,124,019,209</u>	<u>1,069,708,784</u>

- a) Part of long-term loans amounting to Baht 1,117 million is secured loan to Mah Boonkrong Sirichai Enterprise Company Limited ("Mah Boonkrong") as follows:

(Unit: Million Baht)

	Interest rate	Due date	Principle
Loan to totaling Baht 800 million	MOR - 2%	At call	800
Loan to totaling Baht 124 million	MOR - 2%	At call	124
Loan to totaling Baht 193 million	MOR - 2%	At call	193
			<u>1,117</u>

Loans amounting to Baht 800 million have been restructured under restructure agreement. The Company acquired all 800,000 ordinary shares of Mah Boonkrong from the previous shareholders at a price of Baht 1 per share, or for total of Baht 800,000. As a result, the Company's shareholding in Mah Boonkrong is 100.00%. Mah Boonkrong has assets, which comprise of land, golf course infrastructure, club house and a hotel building. On 5 October 2009, the Company has also made an agreement to sell or to buy the shares of Mah Boonkrong, whereby the former shareholders are able to buy back the shares at the prices set in the agreement by 30 September 2014.

As a result of the Company purchasing shares of Mah Boonkrong with an agreement to sell back, as mentioned above, the previous group of shareholders is entitled to derive economic benefits from the use of assets and has obligations to repair and maintain the assets in good condition, and to insure the assets until they buy back the shares per the timetable above. Given these factors the substance of this transaction is still a secured loan receivable and so the Company classifies the purchase of shares in Mah Boonkrong amounting to Baht 800,000 as part of secured loans to other company.

- b) The remaining of short-term and long-term loans, are loans to persons and companies secured by the pledged/mortgaged of assets specified in the loan agreements and carried interest at rates of a commercial bank. Long-term loans are mature between 2-30 years. As at 31 December 2012, the overdue loan over 3 months amounted to approximately Baht 21 million, however, no allowance for doubtful account for such debt was required because value of collateral was higher than the outstanding amount.

## 16. Investment properties

The net book value of investment properties as at 31 December 2012 and 2011 is presented below.

(Unit: Baht)

	Consolidated financial statements				Total
	Land awaiting sales	Land and land improvement for rent	Building for rent	Construction in progress	
As at 31 December 2012					
Cost	821,770,559	1,126,541,023	7,444,182,696	30,065,035	9,422,559,313
Less: Accumulated depreciation	-	(4,196,943)	(4,247,025,115)	-	(4,251,222,058)
Less: Allowance for impairment	-	-	(31,459,858)	-	(31,459,858)
Net book value	<u>821,770,559</u>	<u>1,122,344,080</u>	<u>3,165,697,723</u>	<u>30,065,035</u>	<u>5,139,877,397</u>
As at 31 December 2011					
Cost	876,324,237	1,129,986,097	7,781,724,728	60,360,274	9,848,395,336
Less: Accumulated depreciation	-	(1,340,698)	(4,186,292,529)	-	(4,187,633,227)
Less: Allowance for impairment	-	-	(32,114,899)	-	(32,114,899)
Net book value	<u>876,324,237</u>	<u>1,128,645,399</u>	<u>3,563,317,300</u>	<u>60,360,274</u>	<u>5,628,647,210</u>

(Unit: Baht)

	Separate financial statements			Total
	Land awaiting sales	Building for rent	Construction in progress	
As at 31 December 2012				
Cost	28,676,000	2,713,467,591	11,708,769	2,753,852,360
Less: Accumulated depreciation	-	(2,522,556,524)	-	(2,522,556,524)
Net book value	<u>28,676,000</u>	<u>190,911,067</u>	<u>11,708,769</u>	<u>231,295,836</u>
As at 31 December 2011				
Cost	28,781,500	2,705,964,968	6,420,077	2,741,166,545
Less: Accumulated depreciation	-	(2,406,178,898)	-	(2,406,178,898)
Net book value	<u>28,781,500</u>	<u>299,786,070</u>	<u>6,420,077</u>	<u>334,987,647</u>

A reconciliation of the net book value of investment properties for the year ended 31 December 2012 and for the six-month period ended 31 December 2011 is presented below.

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the	For the	For the	For the
	year ended	six-month	year ended	six-month
	31 December	period ended	31 December	period ended
	2012	31 December	2012	2011
		2011		
Net book value at beginning of year/period	5,628,647,210	5,669,809,137	334,987,647	387,839,445
Acquisition of assets	72,866,435	218,986,152	23,650,693	9,817,134
Disposals - net book value	(283,590,166)	(213,000)	(122,577)	(213,000)
Adjustment	136,190,398	(50,588,526)	(6,182,999)	-
Depreciation charged	(414,236,480)	(209,346,553)	(121,036,928)	(62,455,932)
Net book value at end of year/period	5,139,877,397	5,628,647,210	231,295,836	334,987,647

The fair value of the investment properties, including leasehold rights, with total book value as at 31 December 2012 and 2011 is stated below:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
Land awaiting sales	2,154,484,000	2,154,484,000	53,544,000	53,764,000
Land and land improvement for rent	1,871,590,250	1,871,590,250	-	-
Building for rent	4,516,563,388	4,754,277,250	1,178,000,000	1,240,000,000

The fair value of the above investment properties have been determined based on appraisal values performed by an independent appraiser. The fair value of the land awaiting sale and land/land improvement for rent have mainly been determined based on market approach, while that of the building for rent has been determined using income approach. Main assumptions used in the valuation are yield rate, inflation rate, long-term vacancy rate and long-term growth in real rental rates.

Subsidiaries have mortgaged parts of the investment properties with aggregate net book value in consolidated financial statements as at 31 December 2012 of Baht 2,225 million (2011: Baht 2,705 million) with local financial institutions as collateral for long-term credit facilities granted by these financial institutions, as discussed in Note 24.

#### 17. Land held for development

Land held for development as at 31 December 2012 and 2011 comprises land of the following companies.

	(Unit: Baht)	
	Consolidated financial statements	
	31 December 2012	31 December 2011
Glas Haus Ratchada Company Limited	-	381,045,467
Riverdale Golf & Country Club Company Limited	467,633,909	396,309,818
The Nine Center Company Limited	214,803,745	214,803,745
Plan Estate Company Limited	17,301,176	17,161,264
MBK Residence Company Limited	13,380,999	13,380,999
	<u>713,119,829</u>	<u>1,022,701,293</u>

18. Property, plant and equipment - net

(Unit: Baht)

Cost	Consolidated financial statements							Total		
	Land and land improvement	Buildings and building improvements		Machinery and equipment		Furniture, fixture and office equipment			Motor vehicles	Construction in progress
		improvement	building improvements	equipment	office equipment	vehicles	in progress			
1 July 2011	1,958,683,808	2,704,514,166	911,894,159	1,472,952,193	119,218,715	207,410,514	7,374,673,555			
Acquisitions	659,213	5,852,655	8,720,601	38,787,543	7,797,198	175,189,765	237,006,975			
Disposals	(46,747)	(4,545,415)	(7,578,430)	(8,459,153)	(10,715,532)	-	(31,345,277)			
Transfer to intangible assets	-	-	-	(191,170)	-	-	(191,170)			
Transfer from non-current assets held for sale	-	132,428,099	221,743,137	-	-	-	354,171,236			
Transfer	6,315,135	32,654,983	13,269,198	48,958,195	-	(101,197,511)	-			
Adjustment	(7,022,041)	-	-	-	-	-	(7,022,041)			
31 December 2011	1,958,689,368	2,870,904,488	1,148,048,665	1,552,047,608	116,300,381	281,402,768	7,927,293,278			
<b>Accumulated depreciation</b>										
1 July 2011	193,738,451	1,586,543,864	714,076,196	893,799,188	83,349,258	-	3,471,506,957			
Depreciation - cost	34,916,038	77,774,454	50,532,508	94,351,366	6,617,116	-	264,191,482			
Depreciation - transfer to property development	-	-	130,817	-	-	-	130,817			
Accumulated depreciation - disposals	-	(1,457,363)	(6,753,045)	(7,917,553)	(9,999,676)	-	(26,127,637)			
Accumulated depreciation - transfer from non-current assets held for sale	-	51,559,916	181,107,475	-	-	-	232,667,391			
31 December 2011	228,654,489	1,714,420,871	939,093,951	980,233,001	79,968,698	-	3,942,368,010			
<b>Allowance for impairment of asset</b>										
1 July 2011	11,247,987	102,223,233	-	108,136	-	-	113,579,356			
Reclassification	-	-	-	47,244	-	9,881,525	9,928,769			
31 December 2011	11,247,987	102,223,233	-	155,380	-	9,881,525	123,508,125			
<b>Net book value</b>										
31 December 2011	1,718,686,892	1,054,260,384	208,954,714	571,659,227	36,333,683	271,521,243	3,861,416,143			
<b>Depreciation for the period</b>										
For the six-month period ended 31 December 2011 (Baht 219 million include in costs of service and rental, and the remaining balance included in selling and administrative expense)							264,191,482			

(Unit: Baht)

	Consolidated financial statements					Total
	Land and land improvement	Buildings and building improvements	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicles	
<b>Cost</b>						
1 January 2012	1,958,589,368	2,870,904,488	1,148,048,665	1,552,047,608	116,300,381	281,402,768
Acquisitions	30,695,795	18,835,658	27,159,013	70,185,311	17,585,843	243,045,230
Disposals	(221,966)	(54,884,429)	(323,148,586)	(29,083,540)	(13,711,190)	-
Transfer	9,314,426	247,245,420	32,425,249	77,135,919	-	(366,121,014)
Reclassification	(110,092,293)	13,288,038	4,687,965	34,791	-	(35,035,772)
31 December 2012	1,888,285,330	3,095,369,175	889,182,306	1,670,320,089	120,155,034	123,291,212
<b>Accumulated depreciation</b>						
1 January 2012	228,654,489	1,714,420,871	939,093,951	980,233,001	79,966,898	-
Depreciation - cost	70,037,620	157,397,081	74,960,689	171,672,401	12,925,036	-
Depreciation - transfer to property development	-	-	229,789	-	-	-
Accumulated depreciation - disposals	(221,965)	(42,281,726)	(318,098,169)	(26,651,684)	(13,027,925)	-
Reclassification	(579,388)	10,981,311	539,005	(2,402,734)	-	-
31 December 2012	297,890,756	1,840,517,537	696,725,265	1,122,850,984	79,863,809	-
<b>Allowance for impairment of asset</b>						
1 January 2012	11,247,987	102,223,233	-	155,380	-	9,881,525
Allowance for impairment of asset during the year	(689,756)	9,150,159	-	-	-	-
Reclassification	-	655,041	-	-	-	-
31 December 2012	10,558,231	112,028,433	-	155,380	-	9,881,525
<b>Net book value</b>						
31 December 2012	1,579,836,843	1,142,823,205	192,457,041	547,313,725	40,291,225	113,409,687
<b>Depreciation for the year</b>						
2012 (Baht 415 million include in costs of service and rental, and the remaining balance included in selling and administrative expense)						486,992,827





(Unit: Baht)

**Separate financial statements**

	Furniture, fixture and					Total
	Building	Machinery and equipment	office equipment	Motor vehicles	Construction in progress	
<b>Cost</b>						
1 January 2012	1,042,731,187	148,624,188	928,435,716	27,761,458	16,159,520	2,163,712,069
Acquisition	-	10,594,872	23,698,829	10,644,207	9,102,258	54,040,166
Disposal	-	(4,106,579)	(6,266,273)	-	-	(10,372,852)
Transfer	-	-	14,907,998	-	(14,907,998)	-
Reclassification	-	4,555,166	1,627,833	-	-	6,182,999
31 December 2012	1,042,731,187	159,667,647	962,404,103	38,405,665	10,353,780	2,213,562,382
<b>Accumulated depreciation</b>						
1 January 2012	947,937,440	107,331,199	510,265,931	13,588,366	-	1,579,122,936
Depreciation - cost	63,195,829	13,058,805	121,886,087	5,308,488	-	203,449,209
Accumulated depreciation - disposal	-	(3,482,166)	(5,944,477)	-	-	(9,426,643)
Reclassification	-	539,005	(217,727)	-	-	321,278
31 December 2012	1,011,133,269	117,446,843	625,989,814	18,896,854	-	1,773,466,780
<b>Net book value</b>						
31 December 2012	31,597,918	42,220,804	336,414,289	19,508,811	10,353,780	440,095,602
<b>Depreciation for the year</b>						
2012 (Baht 160 million include in costs of service and rental, and the remaining balance included in administrative expense)						203,449,209

As at 31 December 2011, a subsidiary has mortgaged parts of machinery and buildings with aggregate net book values in consolidated financial statements of Baht 6 million as collateral for loan facilities granted by a local bank. During the first quarter of current period, the subsidiary released the mortgage of these machinery and building.

As at 31 December 2012, a power plant and equipment of a subsidiary with net book value of Baht 65 million (2011: Baht 96 million) is part of the discontinued operations and in process of consideration to sale.

As at 31 December 2012 and 2011, certain plant and equipment items have been fully depreciated, but these items are still in active uses, the amounts would be as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Original cost before accumulated depreciation of plant and equipment	1,078,373,041	975,067,126	91,536,950	108,749,427

## 19. Intangible assets

Intangible assets which are software as at 31 December 2012 and 2011 are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Cost	114,593,397	110,651,504	68,709,288	66,099,256
Less: Accumulated amortisation	(63,515,045)	(53,894,644)	(36,781,655)	(31,092,034)
Net book value	51,078,352	56,756,860	31,927,633	35,007,222

A reconciliation of the net book value of intangible assets for the year ended 31 December 2012 and for the six-month period ended 31 December 2011 is presented below.

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Net book value at beginning of year / period	56,756,860	55,901,478	35,007,222	34,304,162
Acquisition of computer software	4,885,995	6,012,781	3,308,929	4,109,648
Reclassification	130,108	191,170	321,278	-
Amortisation	(10,580,711)	(5,337,670)	(6,596,246)	(3,406,588)
Write off during the year/period	(113,900)	(10,899)	(113,550)	-
Net book value at end of year/period	<u>51,078,352</u>	<u>56,756,860</u>	<u>31,927,633</u>	<u>35,007,222</u>

## 20. Goodwill

Goodwill as at 31 December 2012 and 2011 comprise goodwill on business combination in the following associates and subsidiaries:

(Unit: Baht)

	Consolidated financial statements	
	31 December 2012	31 December 2011
	Siam Piwat Company Limited	64,579,128
Plan Estate Company Limited	-	989,766
Absolute Travel Company Limited	700,001	700,001
Crystal Lake Properties Company Limited	7,214,050	7,214,050
Total	<u>72,493,179</u>	<u>73,482,945</u>

Goodwill represents the excess of the cost of investment over the fair value of assets acquired and liabilities assumed at acquisition date. Since 1 July 2008, the Group has discontinued the amortisation of goodwill and tested impairment, in compliance with TFRS 3 (revised 2009).

## 21. Bank overdrafts and short-term loans from financial institutions

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Bank overdrafts	-	3,695	-	-
Short-term loans from financial institutions	340,000,000	936,703,488	-	366,703,488
Bank overdrafts and short-term loans from financial institutions	<u>340,000,000</u>	<u>936,707,183</u>	<u>-</u>	<u>366,703,488</u>

As at 31 December 2011, the Company has unsecured short-term loan represents promissory note to a foreign commercial bank amounting to USD 11.52 million or equivalent to Baht 367 million, bearing interest at 2.43% per annum. Under the terms and conditions of the loan agreement, the Company has to comply with certain restrictions and maintain certain financial ratios. During the current year, the Company repaid such short-term loan.

As at 31 December 2012, short-term loans from financial institutions of a subsidiary of Baht 340 million (2011: Baht 560 million) are secured by the pledge of inventories and treasury stock held by a subsidiary as described in Notes 10 and 30 respectively.

## 22. Trade and other payables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Trade payables - unrelated party	323,258,325	209,223,920	39,011,901	11,467,097
Accrued interest expenses - related party	-	1,216	-	-
Accrued interest expenses - unrelated party	121,675,480	83,452,698	121,675,479	83,194,953
Other payables - related party	1,613,762	557,923	59,145,344	38,537,344
Other payables - unrelated party	74,983,094	149,372,588	27,211,801	52,185,869
Accrued expenses	309,496,742	221,930,237	105,854,840	63,951,736
Total trade and other payables	<u>831,027,403</u>	<u>664,538,582</u>	<u>352,899,365</u>	<u>249,336,999</u>

### 23. Other current liabilities

Other current liabilities as at 31 December 2012 and 2011 comprise the following:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Deferred income	11,916,338	32,266,991	-	8,244,179
Current portion of unearned installment income	8,579,159	15,865,963	-	-
Deposit - property development project	58,871,486	55,938,831	-	-
Unearned property tax	104,516,814	86,776,687	63,921,442	55,904,432
Unearned output tax	11,975,209	3,406,151	6,579,325	2,388,106
Unearned interest	90,634,547	26,580,178	-	-
Accrued dividend	73,902,198	68,250,910	73,902,198	68,250,910
Others	95,727,079	111,636,876	3,900,645	9,385,177
<b>Total other current liabilities</b>	<b>456,122,830</b>	<b>400,722,587</b>	<b>148,303,610</b>	<b>144,172,804</b>

### 24. Long-term loans from financial institutions

(Unit: Baht)

	Interest rate	Due date	Consolidated financial statements	
			31 December 2012	31 December 2011
			Loans from financial institution	MLR less a fixed percentage
Loans from financial institution - related company	MLR	December 2013	-	56,412,000
<b>Total</b>			<b>287,000,000</b>	<b>1,232,372,000</b>
Less: Current portion			(96,000,000)	(303,000,000)
<b>Total long-term loans - net of current portion</b>			<b>191,000,000</b>	<b>929,372,000</b>

As at 31 December 2012, a subsidiary has long-term loans from financial institutions amounting to Baht 287 million. The loan is guaranteed by the Company and an associated company and the mortgage of leasehold rights with net book value as at 31 December 2012 of Baht 29 million (2011: Baht 32 million) and investment properties of a subsidiary with net book value in consolidated financial statement of Baht 2,225 million (2011: Baht 2,705 million), as described in Note 16.

## 25. Long-term debentures

(Unit: Baht)

Type of debentures	Interest rate (per annum)	Period	Due date	Consolidated/Separate financial statements	
				31 December	31 December
				2012	2011
Unsubordinated and unsecured debentures:					
- 1/2010	3.00%	3 years	16 July 2013	3,000,000,000	3,000,000,000
- 1/2011	4.05%	5 years	9 March 2016	2,000,000,000	2,000,000,000
- 2/2011	5.00%	7 years	9 August 2018	300,000,000	300,000,000
- 3/2011	4.95%	7 years	24 August 2018	400,000,000	400,000,000
- 1/2012	4.93%	10 years	24 July 2022	500,000,000	-
- 2/2012	4.70%	10 years	7 September 2022	400,000,000	-
- 3/2012	4.72%	10 years	20 September 2022	1,000,000,000	-
- 4/2012	5.10%	15 years	7 November 2027	1,500,000,000	-
Total				9,100,000,000	5,700,000,000
Less: Underwriting fee on debenture issuance				(7,269,953)	(4,408,990)
				9,092,730,047	5,695,591,010
Less: Current portion				(2,999,450,697)	-
Long-term debentures - net of current portion				6,093,279,350	5,695,591,010

Under the terms and conditions of the debentures, the Company has to comply with certain restrictions and maintain certain financial ratios.

## 26. Long-term lease payable

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
Long-term lease payable	85,000,000	170,000,000	85,000,000	170,000,000
Less: Current portion of long-term lease payable	(85,000,000)	(85,000,000)	(85,000,000)	(85,000,000)
Long-term lease payable - net of current portion	-	85,000,000	-	85,000,000

The Company has capital commitment under a long-term leasehold right contract with a public university under the contract amount of Baht 840 million. The Company paid a total amount of Baht 755 million and has an outstanding balance of Baht 85 million.

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

Provision for long-term employee benefits as at 31 December 2012 and 2011, which is compensations on employees' retirement, was as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
<b>Balance at the beginning of year/period</b>	56,030,701	-	25,289,561	-
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings	-	52,163,339	-	23,958,055
Current service cost	4,008,193	3,154,686	1,745,079	903,002
Interest cost	1,756,776	957,624	857,210	428,504
Past service costs	2,488,932	-	-	-
Benefits paid during the year/period	(4,724,004)	(244,948)	(3,568,200)	-
Actuarial loss	61,912,240	-	26,004,071	-
<b>Balance at the end of year/period</b>	<u>121,472,838</u>	<u>56,030,701</u>	<u>50,327,721</u>	<u>25,289,561</u>

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
Current service cost	4,008,193	3,154,686	1,745,079	903,002
Interest cost	1,756,776	957,624	857,210	428,504
Past service costs recognised during the year	2,488,932	-	-	-
<b>Total expense recognised in profit or loss</b>	<u>8,253,901</u>	<u>4,112,310</u>	<u>2,602,289</u>	<u>1,331,506</u>
Line items under which such expenses are included in profit or loss				
Cost of sales or service	4,183,310	1,722,483	466,721	221,575
Selling expenses	477,761	283,442	128,221	60,227
Administrative expenses	3,592,830	2,106,385	2,007,347	1,049,704
	<u>8,253,901</u>	<u>4,112,310</u>	<u>2,602,289</u>	<u>1,331,506</u>

Total actuarial gains and losses recognised in the other comprehensive income of the Company and its subsidiaries as at 31 December 2012 amounted to Baht 62 million (The Company only: Baht 26 million).

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4%	4%	4%	4%
Future salary increase rate	4% - 7%	4% - 7%	4% - 7%	4% - 7%
Staff turnover rate	Age < 55	Age < 55	Age < 55	Age < 55
(depending on employee's age)	years: 5-30%	years: 3-20%	years: 6-20%	years: 15%
	Age > 55	Age > 55	Age > 55	Age > 55
	years: 0%	years: 0%	years: 0%	years: 0%

## 28. Other non-current liabilities

	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Unearned installment income	5,692,402	6,100,552	-	-
Deposits received	534,500	41,776,606	-	-
Others	9,842,596	11,366,628	9,362,589	10,607,270
Other non-current liabilities	16,069,498	59,243,786	9,362,589	10,607,270

## 29. Statutory reserve

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



### 30. Treasury stock

Treasury stocks represented the Company's shares held by a subsidiary which have been presented in the consolidated financial statements by applying the cost method, apportioned accounting to holding of the Group.

As at 31 December 2012, a subsidiary has pledged and/or entered into a negative pledge agreement on the treasury stock of 34.8 million shares, with book value (cost method) at end of reporting period amounting to Baht 666 million (31 December 2011: 34.8 million shares, Baht 666 million) to secure bank overdraft and short-term loan facilities from banks, as discussed in Note 21.

### 31. Equity attributable to the Company's shareholders

According to the accounting treatment guidance for the treasury stock of the entity issued by the Federation of Accounting Professions, the main content of presentations and the disclosures is concluded that the treasury stock is not an asset but the reduction of the obligations over the entity's assets. The entity should present the treasury stock as a deducting item from the shareholders' equity subsequent to retained earnings. In case a subsidiary acquires its parent company's stocks, the parent company should present such share acquisition on the same basis as if it purchases its own shares.

However, as if the above interpretation of such guidance is required for the separate financial statements, the reconciliation of shareholders' equity and the investments in subsidiaries is presented as follows:

	(Unit: Baht)	
	Separate financial statements	
	31 December 2012	31 December 2011
Total shareholders' equity - as stated in statements of financial position	13,002,373,262	11,147,216,414
Less: Treasury stock held by a subsidiary	(711,993,784)	(711,993,784)
Equity attributable to the Company's shareholders - after less treasury stock held by a subsidiary	<u>12,290,379,478</u>	<u>10,435,222,630</u>
Investments in subsidiaries - as stated in statements of financial position	12,030,991,782	12,615,991,782
Less: Treasury stock held by a subsidiary	(711,993,784)	(711,993,784)
Investments in subsidiaries	<u>11,318,997,998</u>	<u>11,903,997,998</u>

### 32. Provident fund

The Group and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Group contributed to the fund monthly at the rate 3 - 10% of basic salary. The fund, which is managed by Thanachart Fund Management Co., Ltd. will be paid to employees upon termination in accordance with the fund rules. During the year ended 31 December 2012, the Group contributed Baht 37 million (For the six-month period ended 31 December 2011: Baht 17 million) to the fund.

### 33. Expenses by nature

Significant expenses by nature for the year ended 31 December 2012 and for the six-month period ended 31 December 2011 are as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
Cost of sales of properties	156,858,025	21,348,869	-	-
Salaries and wages and other employee benefits	1,252,146,643	609,745,640	437,237,479	221,030,632
Depreciation	901,229,307	473,538,035	324,486,138	171,122,667
Amortisation expenses	10,580,711	5,337,670	6,596,246	3,406,588
(Gain) loss on exchange	(12,879,418)	19,993,646	(12,879,418)	19,993,646
Transportation expenses	50,812,783	30,547,170	-	-
Brokerage and promotion expenses	277,103,089	94,803,623	37,694,133	8,100,133
Power supply expenses	32,930,482	12,237,873	-	-
Rental expenses	48,830,395	17,671,369	-	-
Repair and maintenance operating expenses	104,129,559	48,601,477	45,460,963	17,643,880
Raw materials and consumables used	1,501,398,833	970,274,550	-	-
Changes in inventories of finished goods and work in progress	135,142,282	19,278,500	-	-

### 34. Corporate income tax

Corporate income taxes of the Company and its listed subsidiary for the year ended 31 December 2012 have been calculated on taxable income at rates of 23% on income before income tax (For the six-month period ended 31 December 2011: 30% on income before income tax) after adding back provisions and certain expenses which are disallowed for tax computation purposes, deducting dividends exempted from income tax and adjusting deferred tax expenses.

Corporate income taxes of its other subsidiaries for the year ended 31 December 2012 have been calculated at the rates of 15 - 23% (for the six-month period ended 31 December 2011: 15 - 30%) on income before income tax, after adding back provisions and certain expenses which are disallowed for tax computation purposes, deducting dividends exempted from income tax, and adjusting deferred tax expenses.

The income tax expenses of the Company and the subsidiaries for the year ended 31 December 2012 and for the six-month period ended 31 December 2011 are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
<b>Current income tax:</b>				
Current income tax charge for the year / period	381,820,114	240,054,884	227,286,504	174,017,926
Adjustment in respect of current income tax of previous year	(299,435)	2,645,654	(299,435)	(1,045,966)
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	25,785,067	9,255,256	3,899,215	(883,973)
Effects of changes in the applicable tax rates	-	(27,843,687)	-	4,866,493
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>407,305,746</b>	<b>224,112,107</b>	<b>230,886,284</b>	<b>176,954,480</b>

The amounts of income tax relating to each component of other comprehensive income for the for the year ended 31 December 2012 and for the six-month period ended 31 December 2011 are as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
Unrealised gains (loss) on investments in available-for-sale securities	360,618,867	(76,407,121)	340,281,842	(75,663,084)
Unrealised loss on investments in loans of an associate	(632,923)	223,495	-	-
Translation adjustment of an associate	(439,742)	3,183,572	-	-
Actuarial loss	12,382,448	-	5,200,814	-
Actuarial loss associates	776,270	-	-	-
Effects of changes in the applicable tax rates	-	(244,757,298)	-	(183,507,659)
<b>Income tax expense reported in the statement of other comprehensive income (income)</b>	<b>372,704,920</b>	<b>(317,757,352)</b>	<b>345,482,656</b>	<b>(259,170,743)</b>

Reconciliations between tax expense and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December 2012 and for the six-month period ended 31 December 2011 are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
	Accounting profit before share of income from investments in associates	2,270,535,159	856,097,062	1,736,021,695
Applicable tax rates	15 - 23%	15 - 30%	23%	30%
Accounting profit before income tax Multiplied by tax rates	520,386,246	255,990,468	399,284,990	293,381,279
Adjustment in respect of current income tax of previous year	(299,435)	2,645,654	(299,435)	(1,045,966)
Effects of changes in the applicable tax rates	-	(27,843,687)	-	4,866,493
Effects of non-deductible expenses and income exempted from income tax	(112,781,065)	(6,680,328)	(168,099,271)	(120,247,326)
<b>Income tax expenses reported in the statement of comprehensive income</b>	<b>407,305,746</b>	<b>224,112,107</b>	<b>230,886,284</b>	<b>176,954,480</b>

The details of deferred tax assets and deferred tax liabilities as at 31 December 2012 and 2011 are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
<b>Deferred tax asset</b>				
Allowance for impairment of assets	22,850,357	22,850,357	-	-
Provision for long-term employee benefits	11,912,120	11,215,631	4,864,730	5,057,912
Actuarial loss	12,382,448	-	5,200,814	-
Actuarial loss of associates	776,270	-	-	-
Timing differences of depreciation of buildings	1,235,341	4,941,373	1,235,341	4,941,374
Timing differences of accounting and taxable income recognition	5,217,244	8,110,780	-	-
	<u>54,373,780</u>	<u>47,118,141</u>	<u>11,300,885</u>	<u>9,999,286</u>
<b>Deferred tax liabilities</b>				
Timing differences of depreciation of buildings	12,836,051	12,205,060	-	-
Costs of business purchase - a subsidiary	84,115,062	115,221,134	-	-
Unrealised gains for investments in available-for-sale securities	718,199,978	357,581,111	707,456,057	367,174,215
Unrealised gain (losses) for investments in receivables	(158,896)	(158,896)	(158,896)	(158,896)
Unrealised gains for investments in loans of associate	14,115,215	14,748,138	-	-
Translation adjustment of an associate	1,682,639	2,122,381	-	-
Share of profit from investments in associates	109,068,486	89,817,490	-	-
	<u>939,858,535</u>	<u>591,536,418</u>	<u>707,297,161</u>	<u>367,015,319</u>

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Group reflected the changes in tax rates in its deferred tax calculation, as presented above.

As at 31 December 2012 the Group has deductible temporary differences, unused tax losses and unused tax credits totaling Baht 426 million (2011: Baht 478 million), on which deferred tax assets have not been recognised as the Group believes that future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

### 35. Earnings per share

Basic earnings per share is calculated by dividing net income attribute to equity holders of the parent for the year / period (not included other comprehensive income) by the weighted average number of ordinary shares in issue during the year / period as held by third parties.

The weighted average number of ordinary shares for the year ended 31 December 2012 and for the six-month period ended 31 December 2011 are as follows:

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011
Ordinary shares issued and paid-up (shares)	188,629,100	188,629,100	188,629,100	188,629,100
Less: Treasury stock held by a subsidiary (shares)	(37,204,075)	(37,204,075)	-	-
Weighted average number of shares held by third parties (shares)	151,425,025	151,425,025	188,629,100	188,629,100
Profit for the year / period (Baht)	1,894,596,543	654,408,359	1,505,135,411	800,983,118
Weighted average number of ordinary shares (shares)	151,425,025	151,425,025	188,629,100	188,629,100
Earnings per share (Baht/share)	12.51	4.32	7.98	4.25

### 36. Net movements in operating assets and liabilities

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the	For the	For the	For the
	year ended	six-month	year ended	six-month
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
<b>(Increase) decrease in operating assets</b>				
Trade other receivable	(54,331,761)	(72,445,937)	(12,167,223)	24,637,034
Installment receivables	29,682,586	4,153,976	5,266,567	3,042,295
Hire purchase receivables	(691,513,870)	(95,453,201)	-	-
Inventories	105,764,772	(73,944,767)	(4,539,341)	(1,893,735)
Other current assets	30,543,283	(40,556,186)	(10,039,062)	(3,268,937)
Restricted fixed deposits	(2,399,607)	(114,856)	-	-
Other assets	(32,337,133)	(96,706)	-	-
<b>Increase (decrease) in operating liabilities</b>				
Trade other payable	255,605,099	(23,598,490)	69,372,896	(79,780,937)
Other current liabilities	177,918	83,691,317	12,962,849	25,627,517
Liabilities under finance lease agreement - related companies	-	-	4,225,015	(932,689)
Rental revenues received in advance	311,295,458	111,463,058	250,854,544	106,623,036
Rental revenues received in advance refund to customer	(5,420,182)	(2,487,616)	(787,814)	(2,275,979)
Rental deposits	628,124,060	213,323,072	544,803,012	168,798,678
Rental deposits refund to customers	(522,304,639)	(184,297,689)	(493,021,683)	(160,226,016)
Other liabilities	(41,924,288)	(28,520,565)	5,320	2,513,791
<b>Net movements in operating assets and liabilities</b>	<b>10,961,696</b>	<b>(108,884,590)</b>	<b>366,935,080</b>	<b>82,864,058</b>

### 37. Promotional privileges

Sima Pac Company Limited has received promotional privileges from the Board of Investment on 17 October 1997 for plastic bag production. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 8 years from the dates of Sima Pac Company Limited is derived its operating income on 1 September 1998 and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the tax exemption period ends.

During the second quarter period ended 31 December 2006, Sima Pac Company Limited has received promotional privileges from the Board of Investment for the manufacturer of film plastics pursuant to the promotion certificate No. 2104(2)/2549 issued on 5 October 2006. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues (23 March 2007).

The Group's sales for the year ended 31 December 2012 and for the six-month period ended 31 December 2011 are divided according to promoted and non-promoted operations as below.

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	For the	For the	For the	For the
	year ended	six-month	year ended	six-month
	31 December	period ended	31 December	period ended
	2012	31 December	2012	31 December
		2011		2011
Sales - promoted activities	28,576,051	3,639,126	-	-
Sales - non promoted activities	1,881,252,477	1,155,024,707	-	-
<b>Total</b>	<b>1,909,828,528</b>	<b>1,158,663,833</b>	<b>-</b>	<b>-</b>



### 38. Segment information

The Groups' business operations involve 8 principal segments: (1) Shopping center and property for lease (2) Hotel and tour (3) Golf (4) Property development business (5) Rice (6) Finance business (7) Other businesses and (8) Support department. These operations are mainly carried on in Thailand. Below is the consolidated financial information by segment.

(Unit: Thousand Baht)

	For the year ended 31 December 2012									
	Shopping center and property for lease	Hotel and tour	Golf	Property development	Rice	Finance	Others	Support department	Elimination of inter-segment revenues	Total
Revenue from external customers	3,502,094	1,262,579	387,356	385,403	1,908,632	709,566	197,457	70	-	8,343,763
Inter-segment revenues	96,951	259,529	970	8,185	1,196	9,433	-	3,966	(980,230)	-
Total revenues	3,599,045	1,522,108	388,326	403,588	1,909,828	718,999	197,457	4,042	(980,230)	8,343,763
Segment operating profit (loss)	1,514,708	122,784	25,531	22,123	(106,404)	250,919	(4,095)	(3,368)	-	1,822,198
Unallocated income and expenses:										
Interest income										36,343
Dividend income										243,466
Other income										362,054
Share of profit from investments in associates										145,013
Finance costs										(198,525)
Income tax expenses										(407,306)
Non-controlling interest of the subsidiaries										(113,646)
Profit for the year - attributable to equity holders of the Company										1,894,597

(Unit: Thousand Baht)

	As at 31 December 2012								
	Shopping center and property for lease	Hotel and tour	Golf	Property development	Rice	Finance	Others	Elimination of inter-segment revenues	Total
Property, plant and equipment - net	200,930	1,449,673	1,575,789	17,084	351,691	13,941	13,655	(6,612)	3,616,131
Unallocated assets									28,323,657
Total assets									31,942,788

(Unit: Thousand Baht)

For the six-month period ended 31 December 2011

	Property				Rice	Finance	Others	Support department	Elimination of inter-segment revenues	Total
	Hotel and tour	Golf	Property development	Support department						
Shopping center and property for lease	553,311	133,578	109,903	1,157,672	229,609	69,023	1	-	-	3,975,644
Revenue from external customers	44,762	-	6,799	993	4,567	-	560	(175,232)	-	-
Inter-segment revenues	1,767,309	133,626	116,702	1,158,665	234,196	69,023	561	(175,232)	(175,232)	3,975,644
Total revenues	767,727	10,259	(33,097)	(48,907)	51,075	(1,479)	(36)	-	-	731,938
Segment operating profit (loss)										
Unallocated income and expenses:										
Interest income										31,846
Dividend income										104,150
Other income										129,403
Share of profit from investments in associates										51,100
Finance costs										(141,240)
Income tax expenses										(224,112)
Net loss for the period for Non-controlling interest of the subsidiaries										(28,677)
Profit for the period - attributable to equity holder of the Company										654,408

(Unit: Thousand Baht)

As at 31 December 2011

	Property				Rice	Finance	Others	Elimination of inter-segment revenues	Total
	Hotel and tour	Golf	Property development	Support department					
Shopping center and property for lease	134,420	1,497,170	1,834,422	21,283	365,519	4,426	11,299	(7,126)	3,861,416
Property, plant and equipment - net									23,208,579
Unallocated assets									27,069,995
Total assets									

The Group has applied the pricing policies described in Note 41 to set the transfer prices.

### 39. Commitments and contingent liabilities

#### 39.1 Capital commitments

As at 31 December 2012 and 2011, the Group had capital commitments for construction relating to shopping center, hotel, property development projects and golf course by segment as follows:

	(Unit: Million Baht)	
	31 December 2012	31 December 2011
Shopping center and property for lease business	124	51
Hotel and tour business	69	16
Property development business	19	50
Golf business	103	29
Other business	4	6
<b>Total</b>	<b>319</b>	<b>152</b>

#### 39.2 Long-term service commitments

As at 31 December 2012 and 2011, the Group has future minimum lease payments required under these non-cancellable operating leases contracts are as follows:

	(Unit: Million Baht)	
	31 December 2012	31 December 2011
<u>Payable within:</u>		
Less than 1 year	85	78
1 to 5 years	105	90
More than 5 years	113	138
<b>Total</b>	<b>303</b>	<b>306</b>

#### 39.3 Guarantees

39.3.1 As at 31 December 2012, there are outstanding bank guarantees of approximately Baht 151 million (2011: Baht 141 million) issued by the banks on behalf of the Group in respect of certain performance bonds as required in the normal course of business.

39.3.2 On 5 September 2011, the Company entered into Corporate Guarantee Agreement and Pledge of Shares Agreement with a local commercial bank to guarantee the borrowing of DMS Property Investment Private Limited, an associate, in proportion to its shareholding, which represents 30 percent of the registered capital of that company. The associate has total loan facilities total USD 44 million and the outstanding loan as at 31 December 2012 was USD 42 million or equivalent to Baht 1,251 million (2011: USD 31 million or equivalent to Baht 948 million).

39.3.3 On 23 June 2010, the Company entered into a loan guarantee contract with a local commercial bank, to guarantee loans of Paradise Park Company Limited, a subsidiary, in proportion to its shareholding, which represents 50 percent of the registered capital of that company. The subsidiary's loan facilities total Baht 600 million and the outstanding balance as at 31 December 2012 was Baht 287 million (2011: Baht 552 million).

#### 39.4 Commitment to provide services to golf members

A subsidiary has a commitment to provide services to golf members, which were transferred from the previous owner with the golf course at the acquisition date. The details of membership contracts are as follows:

	Number of contracts	Membership fee range (Baht per contract)
Permanent contracts	265	200,000 - 630,000

Under the terms and conditions of membership contracts, the subsidiary will not receive any additional membership fee from all transferred members until the periods of such contracts have been expired including not receiving the green fee from transferred permanent members perpetually on the acquisition date. The subsidiary could not estimate the present value of all relevant costs that may occur from providing services to those permanent members. However, such costs were considered to reduce projected net cash flow in the future that reflects in the fair value at the acquisition date, and to determine the current range of rental fee of the golf course.

### 39.5 Litigation

The subsidiaries were defendant in certain lawsuits involving compensation of approximately Baht 19.1 million. The Company and its subsidiaries were defendant in certain lawsuits involving assets reclamation of approximately Baht 9.4 million. As at 31 December 2012, the cases were not yet final; nevertheless, the Company and its subsidiary company's management believe they will not suffer material losses (if any) from these suits.

## 40. Financial instruments

### 40.1 Financial risk management

The Group's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade receivables, loans to, investments short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### Credit risk

The Group is exposed to credit risk primarily with respect to trade receivables, loans to, other receivables. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Group does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans to, other receivables as stated in the statement of financial position.

#### Interest rate risk

The exposures of the Group to interest rate risk relate primarily to their deposits with financial institutions, loan receivables, overdrafts, debentures and loans. However, since most of the Group's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2012 and 2011 classified by type of interest rates 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.

(Unit: Million Baht)

## Consolidated financial statements

31 December 2012

	Fixed interest rates			Floating		Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	5 - 10 years	interest rate	Non-interest bearing		
<b>Financial assets</b>							
Cash equivalents (excluding cash)	364	-	-	1,362	-	1,726	0.12 - 3.22
Trade and other receivables	-	-	-	-	577	577	-
Installment receivables	3	9	-	54	-	66	6.19 - 9.50
Hire purchase receivables	867	754	-	-	-	1,621	18.00 - 24.60
Short-term loans to related company	1,200	12	-	68	-	1,280	4.13 - 7.50
Short-term loans	859	-	-	788	-	1,447	9.37 - 13.25
Long-term loans	-	239	-	1,605	-	1,844	5.42 - 13.25
	<u>3,093</u>	<u>1,014</u>	<u>-</u>	<u>3,877</u>	<u>577</u>	<u>8,561</u>	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans from financial institutions	340	-	-	-	-	340	2.98 - 3.05
Trade and other payables	-	-	-	-	831	831	-
Short-term loans from related companies	-	-	-	184	-	184	5.42
Long-term loans from financial institutions	-	-	-	287	-	287	5.50
Long-term debentures	2,999	2,000	4,094	-	-	9,093	3.00 - 5.10
	<u>3,339</u>	<u>2,000</u>	<u>4,094</u>	<u>471</u>	<u>831</u>	<u>10,735</u>	

(Unit: Million Baht)

## Consolidated financial statements

31 December 2011

	Fixed interest rates			Floating		Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	5 - 10 years	interest rate	Non-interest bearing		
<b>Financial assets</b>							
Cash equivalents (excluding cash)	315	-	-	326	-	641	0.50 - 3.15
Trade and other receivables	-	-	-	-	519	519	-
Installment receivables	5	12	-	77	-	95	6.06 - 9.63
Hire purchase receivables	554	388	-	-	-	942	23.88 - 27.60
Short-term loans to related company	-	-	-	75	-	75	5.15 - 7.62
Short-term loans	381	-	-	260	-	641	8.87 - 13.25
Long-term loans	-	387	-	1,307	-	1,694	5.15 - 13.25
	<u>1,255</u>	<u>787</u>	<u>-</u>	<u>2,045</u>	<u>519</u>	<u>4,607</u>	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans from financial institutions	937	-	-	-	-	937	1.48 - 7.15
Trade and other payables	-	-	-	-	664	664	-
Short-term loans from related companies	-	-	-	189	-	189	5.15 - 5.55
Long-term loans from financial institutions	-	-	-	1,232	-	1,232	5.00 - 5.75
Long-term debentures	-	4,996	700	-	-	5,696	3.00 - 6.04
	<u>937</u>	<u>4,996</u>	<u>700</u>	<u>1,421</u>	<u>664</u>	<u>8,718</u>	

(Unit: Million Baht)

## Separate financial statements

31 December 2012

	Fixed interest rates			Floating		Total	Interest rate (% p.a.)
	Within	1 - 5 years	5 - 10 years	interest Rate	Non-interest bearing		
	1 year						
<b>Financial assets</b>							
Cash equivalents (excluding cash)	350	-	-	1,035	-	1,385	0.12 - 3.22
Trade and other receivables	-	-	-	-	97	97	-
Installments receivables	-	-	-	11	-	11	9.37 - 9.50
Short-term loans to related companies	-	-	-	4,439	-	4,439	4.25 - 7.50
Long-term loans	-	-	-	1,117	-	1,117	5.42
	<u>350</u>	<u>-</u>	<u>-</u>	<u>6,602</u>	<u>97</u>	<u>7,049</u>	
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	-	353	353	-
Short-term loans from related companies	-	-	-	2,640	-	2,640	5.42
Long-term liabilities under financial lease agreements - related companies	5	11	-	-	-	16	5.67 - 7.94
Long-term debentures	2,999	2,000	4,094	-	-	9,093	3.00 - 5.10
	<u>3,004</u>	<u>2,011</u>	<u>4,094</u>	<u>2,640</u>	<u>353</u>	<u>12,102</u>	

(Unit: Million Baht)

## Separate financial statements

31 December 2011

	Fixed interest rates			Floating		Total	Interest rate (% p.a.)
	Within	1 - 5 years	5 - 10 years	interest Rate	Non-interest bearing		
	1 year						
<b>Financial assets</b>							
Cash equivalents (excluding cash)	300	-	-	100	-	400	0.50 - 3.15
Trade and other receivables	-	-	-	-	80	80	-
Installments receivables	-	-	-	16	-	16	9.25 - 9.63
Short-term loans to related companies	-	-	-	1,573	-	1,573	5.15 - 5.55
Long-term loans	-	-	-	1,059	-	1,059	5.15 - 5.55
	<u>300</u>	<u>-</u>	<u>-</u>	<u>2,748</u>	<u>80</u>	<u>3,128</u>	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans from financial institutions	367	-	-	-	-	367	2.48
Trade and other payables	-	-	-	-	249	249	-
Short-term loans from related companies	-	-	-	3,454	-	3,454	5.15 - 5.55
Long-term liabilities under financial lease agreements - related companies	4	8	-	-	-	12	5.80 - 7.94
Long-term debentures	-	4,996	700	-	-	5,696	3.00 - 6.04
	<u>371</u>	<u>5,004</u>	<u>700</u>	<u>3,454</u>	<u>249</u>	<u>9,778</u>	

## Foreign currency risk

The Company and its subsidiary are expose to foreign exchange risk which arises from trading transactions and loans denominated in foreign currencies are summarised below.

	Foreign currency	Financial assets/liabilities as at 31 December 2012 (Unit)	Average exchange rate as at 31 December 2012 (Baht per 1 foreign currency unit)
Trade receivables	US Dollar	1,218,361	30.387
Investment in associate (foreign country)	US Dollar	11,550,000	30.387

A subsidiary has sold forward exchange contracts for expose foreign exchange risk which arises from trading transactions. Outstanding on 31 December 2012 are summarised below.

Foreign currency	Sold amount (Unit)	Contractual exchange rate (Baht per 1 foreign currency unit)	Maturity date
US Dollar	2,189,307	30.8610-31.6690	1 March 2013 - 24 June 2013

A subsidiary has option contract outstanding at 31 December 2012 are summarised below.

Foreign currency	Sold amount (Unit)	Contractual exchange rate (Baht per 1 foreign currency unit)	Maturity date
US dollar	500,000	30.10	14 January 2013

## 40.2 Derivatives

As at 31 December 2012, the Company has the following financial derivative instruments.

### Cross currency interest rate swap agreements

In November 2012, the Company repaid short-term loan in foreign currency amounting to USD 11.52 million or equivalent to Baht 354 million to a foreign commercial bank. At the same time, the Company entered into cross currency interest rate swap agreements with a local bank which the mature date is on 9 September 2014. Under the terms and conditions of the swap agreements are agreed as follows:



### Cross currency swap

The Company entered into cross currency swap agreement to exchange the currency between Baht and US dollar. The contractual exchange rate is Baht 30.70 to 1 US dollar. The Company has commitments with the bank counterparty at the initial date and terminated date of the agreement as follows:

	At initial date	At terminated date
The Company received from / (paid to)	USD 11.52 million	(USD 11.52 million)
the bank counterparty	(Baht 354 million)	Baht 354 million

### Interest rate swap

The Company entered into interest rate swap agreement to manage the risk associated with its interest-bearing financial liabilities. The partial amount of long-term debenture equivalent to the same amount of the currency swap as above mentioned, to be exchanged its interest rate from fixed rate to floating rate. Under the agreement, the Company will receive interest income from the bank counterparty that calculated the interest based on the partial of long-term debenture amounting to Baht 354 million, bearing interest at the fixed rate 4.05% per annum. However, the Company has to pay interest expense to the bank counterparty by calculation the interest based on the principal amount of USD 11.52 million, bearing interest at the 6-month LIBOR plus a premium.

The fair value of the derivative is as follow:

	(Unit: Baht)	
	Fair Value	
	Gain (Loss)	
	As at 31 December	
	2012	2011
Cross currency interest rate swap agreements	698,407	-

### 40.3 Fair values of financial instruments

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

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable and short-term loans to, accounts payable and short-term loans from, their carrying amounts in the statements of financial position approximate their fair value.
- b) For debts and equity securities, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- c) For fixed rate debentures and long-term loans, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- d) For debentures and long-term loans carrying interest approximate to the market rate, their carrying amounts in the statements of financial position approximates their fair value.

Fair value of traded long-term debentures has been determined based on quoted bid price from the Thai Bond Market Association at the statements of financial position date.

As at 31 December 2012, the carrying amount and fair value of long-term debentures are as follows:

(Unit: Million Baht)

	Consolidated/separate financial statements			
	As at 31 December 2012		As at 31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debentures	9,093	9,121	5,695	5,695

#### 41. Related party transactions

In addition to nature of relationship between the Company and related companies except its subsidiaries as stated in Note 13, and its associates as stated in Note 12 which are summarised as follows:

Company's name	Relationship
Thanachart Capital Public Company Limited and its subsidiaries	A major group of shareholders which holds ordinary shares of the Company representing for a total of 19.90% and related by the way of common directors.
Royal Princess Public Company Limited	Related by the way of common directors
Dusit Thani Public Company Limited	11.67% shareholding in the Company related by the way of common directors
Grand River Front Corporation Company Limited	49% shareholding in the Company held by associated company
Grand River Park Corporation Company Limited	49% shareholding in the Company held by associated company
Grand River Place Corporation Company Limited	51% shareholding in the Company held by associated company

During the year / period, the Company and its subsidiaries had the 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 its subsidiaries and those related parties.

#### Transactions with related party

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	For the year ended 31 December 2012	For the six-month period ended 31 December 2011	
<b>Transactions with subsidiary companies</b> (eliminated from the consolidated financial statements)					
Rental income	-	-	19	9	Market prices
Consulting fees	-	-	1	2	The same rates as the third parties
Project management and sales commission income	-	-	-	-	The same rates as the third parties
Personnel expenses	-	-	142	104	115% of salary of hotel staff paid by a subsidiary for parent company
Hotel management fee	-	-	39	11	Contract price
Security expenses	-	-	51	24	115% of the cost of security services paid by a subsidiary for parent company
Debt guarantee fee	-	-	11	5	1% of loan drawdown amounts
Interest income	-	-	96	27	MOR rate less a fix percentage
Interest expenses	-	-	189	72	MOR rate less a fix percentage

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	For the	For the	For the	For the	
	year ended	six-month	year ended	six-month	
	31 December	31 December	31 December	31 December	
	2012	2011	2012	2011	
<b>Transactions with associated companies</b>					
Shared service income	2	1	2	1	Market prices
Dividend income	230	33	230	33	As declared
Project management and sales commission income	17	8	-	-	The same rates as the third parties
Interest income	5	1	3	1	MOR rate less a fix percentage
Interest expenses	10	5	-	-	MOR rate less a fix percentage
<b>Transactions with related companies</b>					
Income from rental deposits	4	3	4	3	Market prices
Rental income	154	65	58	12	Market prices
Dividend income	164	67	156	65	As declared
Project management and sales commission income	80	42	-	-	The same rates as the third parties
Hotel franchise fee	1	1	1	1	The same rates as the third parties
Insurance expenses	19	14	15	11	The same rates as the third parties
Interest income	8	-	8	-	4.25% per annum
Interest expenses	-	2	-	-	MOR rate less a fix percentage

## Guarantee

The Company entered into Corporate Guarantee Agreement for a loan of a subsidiary and an associate as described in Note 39.3.2 and 39.3.3 to the financial statements. There was no guarantee fee because the loan was guaranteed by all shareholders based upon shareholding proportion.

## Sale of investments in associated company

In December 2012, the Company sold all 27.98 million shares of Royal Orchid Hotel (Thailand) Public Company Limited, an associated company that is listed on the Stock Exchange of Thailand, to a subsidiary company named MBK Hotels and Resorts Company Limited. The selling price, amounting to Baht 498 million, was based on the latest bid price at the transfer date quoted on the Stock Exchange of Thailand. The Company recorded a loss on the sale of investment in such associated company amounting to Baht 233 million. Since this sale was a related party transaction, such loss was eliminated from the consolidated financial statements.

As at 31 December 2012 and 2011, the balances of the accounts between the Company and those related companies are as follows:

	Note	(Unit: Million Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
<b><u>Current investments – Available-for-</u></b>					
<b><u>sales securities</u></b>	7				
Related companies		461	3,926	-	3,475
<b><u>Trade receivables</u></b>	8				
Associated companies		4	1	1	1
Related companies		5	4	7	3
Total trade receivables		9	5	8	4
<b><u>Short-term loans to</u></b>					
Subsidiaries		-	-	3,198	1,524
Associated companies		80	75	41	49
Related companies		1,200	-	1,200	-
Total short-term loans to		1,280	75	4,439	1,573
<b><u>Long-term Investments - available-</u></b>					
<b><u>for-sales securities</u></b>	14				
Related companies		5,029	-	4,904	-
<b><u>Other receivables – prepaid</u></b>					
<b><u>insurance premium</u></b>	8				
Related companies		1	21	-	17
<b><u>Other payables</u></b>	22				
Subsidiaries		-	-	58	39
Associated companies		2	1	1	1
Total other payables		2	1	59	40
<b><u>Short-term loans from</u></b>					
Subsidiaries		-	-	2,640	3,454
Related companies		183	189	-	-
Total short-term loans from		183	189	2,640	3,454
<b><u>Current liabilities – advance rental</u></b>					
<b><u>deposit and rental deposit</u></b>	23				
Related companies		57	23	-	2
<b><u>Long-term liabilities under finance</u></b>					
<b><u>lease agreements</u></b>					
Subsidiaries		-	-	16	12
<b><u>Long-term loans from a financial</u></b>					
<b><u>institution</u></b>	24				
Related companies		-	56	-	-

Short-term loans to related companies include loans amounting to Baht 1,200 million that are secured by the mortgage of the borrowers' assets, as specified in the loan agreements, mature in 2013, and bear interest at a fixed rate of 4.25% per annum (2011: Nil). The remaining loans are unsecured loans that are due at call, consisting of Baht loans bearing interest at the MOR of a local commercial bank less fixed percentages of 5.43 - 7.50% per annum (2011: 5.55 - 7.62% per annum) and a US dollar loan bearing interest at a fixed rate of 4.13% per annum (2011: Nil).

The loans from related companies represent short-term loans for working capital and repayable at call. The loans bear interest at MOR rate less a fixed percentage of a local commercial bank which is 5.43% per annum (2011: 5.15% - 5.55% per annum).

Liabilities under finance lease agreements represent financial lease liabilities for the lease motor vehicles from a subsidiary for 60 - 72 monthly installments. Interest rates are 5.68% - 7.94% per annum (2011: 6.40% - 8.25% per annum).

The movements on short-term loans to and accrued interest income from related companies are as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	Balance as at 31 December 2011	Addition	Receipt	Balance as at 31 December 2012
<b>Short-term loans to</b>				
MBK Leisure Company Limited	21	7	(6)	22
Paemala Spa Company Limited	5	-	-	5
Lam Luk Ka Golf and Country Club Company Limited	49	-	(8)	41
Grand River Front Corporation Company Limited	-	284	-	284
Grand River Park Corporation Company Limited	-	282	-	282
Grand River Place Corporation Company Limited	-	634	-	634
DMS Property Investment Private Limited	-	12	-	12
	<u>75</u>	<u>1,219</u>	<u>(14)</u>	<u>1,280</u>
<b>Short-term loans from</b>				
Siam Piwat Holding Company Limited	189	53	(59)	183
	<u>189</u>	<u>53</u>	<u>(59)</u>	<u>183</u>
<b>Long-term loans from a financial institution</b>				
Thanachart Bank Public Company Limited	56	-	(56)	-
	<u>56</u>	<u>-</u>	<u>(56)</u>	<u>-</u>

(Unit: Million Baht)

## Separate financial statements

	Balance as at 31 December		Balance as at 31 December	
	2011	Addition	Receipt	2012
<b>Short-term loans to</b>				
Riverdale Golf and Country Club Company Limited	104	1,105	(276)	933
MBK Hotels and Resorts Company Limited	572	1,194	(1,031)	735
T Leasing Company Limited	641	936	(277)	1,300
Paradise Park Company Limited	151	37	(59)	129
MBK Square Company Limited	4	43	-	47
MBK Hotels & Tourism Company Limited	11	-	(11)	-
Siam Delice Company Limited	38	16	-	54
MBK Smart Force Company Limited	8	5	(8)	-
Lam Luk ka Golf and Country Club Company Limited	49	1	(9)	41
Grand River Front Corporation Company Limited	-	284	-	284
Grand River Park Corporation Company Limited	-	282	-	282
Grand River Place Corporation Company Limited	-	634	-	634
	<u>1,573</u>	<u>4,537</u>	<u>(1,671)</u>	<u>4,439</u>
<b>Short-term loans from</b>				
The Olympic Club Company Limited	42	5	(3)	44
Supsinthanee Company Limited	365	12	-	377
Glas Haus Ratchada Company Limited	468	14	(16)	466
MBK Premium Company Limited	551	19	(7)	563
MBK Asset Company Limited	74	2	-	76
MBK Arcade Company Limited	1,208	-	(888)	320
MBK Business Company Limited	542	32	(8)	566
MBK Center Company Limited	1	-	-	1
Primacy Elegance Investments Limited	112	10	-	122
Lanta Land Development Company Limited	81	24	(16)	89
X-Gen Premium Company Limited	10	11	(13)	8
MBK Training Center Company Limited	-	1	-	1
MBK Insurance Broker Company Limited	-	2	-	2
MBK Broker Company Limited	-	3	(3)	-
MBK Smart Force Company Limited	-	2	-	2
MBK Chiangmai Company Limited	-	1	-	1
MBK Hotels & Tourism Company Limited	-	2	-	2
	<u>3,454</u>	<u>140</u>	<u>(954)</u>	<u>2,640</u>
<b>Long-term liabilities under finance lease agreements</b>				
MBK Premium Company Limited	12	11	(7)	16

On 11 June 2012, MBK Square Company Limited, a subsidiary, entered a bid to purchase land and building in amounting to 34 million from Thanachart Bank Public Company Limited, and has already made full payment.

## Directors and management's benefits

During the year ended 31 December 2012 and for the six-month period ended 31 December 2011, the Group had employee benefit expenses of their directors and management as below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For six-month period ended 31 December 2011	For the year ended 31 December 2012	For six-month period ended 31 December 2011
Short-term employee benefits	75,959,279	51,069,926	58,610,578	39,091,080
Post-employment benefits	1,136,901	582,105	908,795	438,902
<b>Total</b>	<b>77,096,180</b>	<b>51,652,031</b>	<b>59,519,373</b>	<b>39,529,982</b>

## 42. Dividends paid

	Approved by	Total dividend	Dividend	Dividend payment date
		(Million Baht)	(Baht per share)	
Final dividends on the six-month period ended 31 December 2011	Annual General Meeting of the shareholders on 10 April 2012	472	2.50	30 April 2012
Final dividends on the six-month period ended 30 June 2012	Board of Directors' Meeting on 3 October 2012	518	2.75	1 November 2012
<b>Total</b>		<b>990</b>		
Final dividends for the year ended 30 June 2011	Annual General Meeting of the shareholders on 31 October 2011	472	2.50	18 November 2011
<b>Total</b>		<b>472</b>		

## 43. Capital management

The primary objective of the Group's capital management is to ensure that it has an appropriate capital structure in order to support its business and maximise shareholder value.

As at 31 December 2012, the Group's Debt to Equity Ratio was 1.12:1 (2011: 1.19:1) and the Company's was 1.26:1 (2011: 1.28:1).

## 44. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised director on 26 February 2013.



## GENERAL INFORMATION

### DETAIL OF COMPANY

COMPANY NAME	MBK Public Company Limited
CORE BUSINESS	Shopping center and Real estate
COMPANY LOCATION	444, 8 <sup>th</sup> Floor, MBK Center Building, Phayathai Road, Wang Mai, Pathumwan, Bangkok 10330
REGISTRATION NUMBER	No.0107537001102
TELEPHONE NUMBER	0-2620-9000
FAX NUMBER	0-2620-7000
E-MAIL	mbk@mbk-center.co.th
HOMEPAGE	<a href="http://www.mbk-center.co.th">http://www.mbk-center.co.th</a>
REGISTERED AND PAID-UP CAPITAL	THB 1,886,291,000
TYPE OF SHARE	Ordinary share
NUMBER OF PAID-UP SHARES	188,629,100 shares
PAR VALUE	THB 10 per share
THAILAND SECURITIES DEPOSITORY COMPANY LIMITED	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110 Tel. 0-2229-2800 Fax. 0-2654-5427 E-mail <a href="mailto:TSDCallCenter@set.or.th">TSDCallCenter@set.or.th</a> Website : <a href="http://www.tsd.co.th">www.tsd.co.th</a>

### REFERENCE PERSONS

#### DEBENTURE REGISTRAR

Debentures of MBK Public Company Limited No. 1/2010 Due 2013 (“MBK 137A”)	Bank of Ayudhya Public Company Limited 1222 Rama 3 Road, Bangphongphang, Yan Nawa Bangkok 10120 Tel. 0-2296-2000, 0-2683-1000 Fax. 0-2683-1304 Website : <a href="http://www.krungsri.com">www.krungsri.com</a>
Debentures of MBK Public Company Limited No. 1/2011 Due 2016 (“MBK 163A”)	
Debentures of MBK Public Company Limited No. 2/2011 Due 2018 (“MBK 188A”)	
Debentures of MBK Public Company Limited No. 3/2011 Due 2018 (“MBK 188B”)	
Debentures of MBK Public Company Limited No. 2/2012 Due 2022 (“MBK 229A”)	
Debentures of MBK Public Company Limited No. 3/2012 Due 2022 (“MBK 229B”)	
Debentures of MBK Public Company Limited No. 4/2012 Due 2027 (“MBK 27NA”)	

Debentures of MBK Public Company Limited  
No. 1/2012 Due 2022 (“MBK 227A”)

CIMB Thai Bank Public Company Limited  
44 Langsuan Road, Lumpini, Pathumwan, Bangkok 10330  
Tel. 0-2638-8000, 0-2626-7000  
Fax. 0-2657-3333  
Website : [www.cimbthai.com](http://www.cimbthai.com)

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**AUDITOR**

Ms. Ratana Jala, C.P.A (Thailand) No.3734 and/or  
Ms. Nonglak Pumnoi, C.P.A. (Thailand) No.4172 and/or  
Mr. Sophon Permsirivallop, C.P.A. (Thailand) No.3182 and/or  
Ms. Sumalee Reewarabandith, C.P.A. (Thailand) No.3970  
Ernst & Young Office Limited  
33<sup>rd</sup> Floor, Lake Rajada Office Complex,  
193/136-137 Rachadapisek Road, Klongtoey, Bangkok 10110  
Tel. 0-2264-0777  
Fax. 0-2264-0789-90  
The Audit fee for the year 2012 period ending 31 December 2012  
was fixed at THB 1,924,000

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## DISCLOSURE OF INFORMATION IN ANNUAL REPORT ACCORDING TO FORM 56-2

SUBJECT	PAGE
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2. Company’s Financial Highlights	001
3. Nature of Business Operations	018
4. Risk Factors	063
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# CORPORATE SOCIAL RESPONSIBILITY 2012

## SOCIAL ACTIVITIES

### “THE WONDER OF FANCY KIDS”



MBK Public Company Limited, The Nine Center Company Limited, Thanachart Bank and other organizations hosted “The Wonder of Fancy Kids” event on Saturday, January 14, 2012. The event was organized under 3E for KIDS idea (Excellent, Education, Experience), that aimed to inspire give children an opportunity to showcase their talents. The event also focused on helping children to develop their brains, bodies, and emotional intelligence so that they grow up to become a competent adult. In addition, children could learn to be compassionate, focused, and confident and use their free time wisely.

#### OBJECTIVES

1. To help Thai children become confident and achieve positive development in the future.
2. To support Thai children to spend their free time creatively and productively.
3. To give Thai children an opportunity to participate in an activity together and develop their brains, bodies, and emotional intelligence.
4. To respond to the government’s policy in being a part of the improvement of the quality of life of Thai children who will become the important force of the country in the future.

#### ACTIVITIES IN THE EVENT

##### ACTIVITY BOOTHS included:

▶ “When I grow up, I want to be...” Booth provided inspirational activities to prompt children to search for their talents and skills in various types of careers in the forms

of educational and enjoyable games and activities.

▶ “National Guard” Booth provided activities that promoted skills needed for careers in military and police force such as water gun shooting game that aimed to help children learn to be concentrated and accurate.

▶ “The Nine Channel” Booth gave children an opportunity to be a television host through the practice of script reading in front of camera. Children could learn to be confident in themselves and in speaking in public.

▶ “My School” Booth provided skill-building activities from a virtual classroom through English vocabulary games.

▶ “Adventure in Medical Ward” Booth helped children learn about first aids and names of medicines to heal basic illnesses through the medicine and illness matching game.

▶ “Fun Cupcakes” Booth had the cupcake decoration activity in which children could decorate cupcakes with students from Suan Dusit International Culinary School.

##### STAGE ACTIVITIES included:

▶ **Children Performances:** violin performance from Rak Violin Institute, Children Khon from Thai Culture Reservation Center or Baan Khon Rim Nam, Phra Rama Tam Kwang and Yok Rob performance from young performers such as Potter, and Wansai from The Trainer Show, and Clever Dog Show.

##### ▶ THE NINE FANCY KIDS Contest



## “LOVE 2 SHARE PETS FUNNY CHARITY SHOW 2012”

MBK Public Company Limited, MBK CENTER Executives and Love 2 Share hosted “LOVE 2 SHARE PETS FUNNY CHARITY SHOW 2012” event to raise funds for “LOVE 2 SHARE GO TO SCHOOL” Project. The event aimed to cultivate positive attitudes towards pets for children from over 85 schools nationwide. The event took place on January 29-31, 2012, from 14.00 - 20.00 at MBK Avenue on G Floor, MBK CENTER.

### OBJECTIVES

1. To build positive public image as an organization that supports social activities.
2. To cultivate positive attitudes towards pets to children.

### ACTIVITIES IN THE EVENT

#### ▣ ACTIVITY BOOTHS included:

▶ **Booths from Animal Rescue Organizations:** Home for Handicapped Animals Foundation (in the patronage of Luangta Maha Boowa Nyanasampanno) Booth, Baan Pa Sam

Ruay Booth, Baan Pa Watcharee Booth, Dogilick Booth, SOS Booth and Tha Cosplay Animal Rescue Booth.

▶ **Booth from Artists and Celebrities:** such as Anne Angkhana, Kitty, Tan Ratree, Bee Kanakha Apiradee.

▶ **Dog Show Booth** showcased good-breed winning dogs from various competitions. People could buy dogs while there would be staff at the booth to give advice about dog keeping before buyers could take their dogs with them.

#### ▣ STAGE ACTIVITIES included:

▶ **Mini Concert:** the launch of for Cats and Dogs album, the compilation from various artists such as Ann Thitima, Bell Nanthita, Sukanya Miguel, Bee Kanakam Apiradee, Ban Suwannochin, Cheepchanok Sriyamart, Fairy Supakyada, Song Thiti, Taladplu Coolplay, and Addict Animal.

▶ **Discussion in the topic:** “Think before keeping a pet or helping animals” among artists.

▶ **Fashion Show** led by Nui Kadesirin, Rick Wachirapilan, Tor Pop Overdose, and Addict Animal.

▶ **Book Launch:** “Because they love us with all their hearts” by a group of famous writers.

## “MBK RALLY CHARITY TOUR #3”



MBK Rally Charity Tour is a family travel-rally activity that allows tenants in the Shopping Center to participate in a social activity that involved donations of stationery and sport equipments to Khao Yai National Park to give to children in rural area on March 28, 2012 at Khao Yai National Park Office.

### OBJECTIVES

1. To strengthen the relationship between the company and tenants in the Shopping Center.
2. To encourage tenants to socialize and participate in an activity together.
3. To give tenants in the Shopping Center an opportunity to participate in an activity with the company's executive.

## “BANGKOK CARTOON FESTIVAL 2012”



MBK Public Company Limited together with Culture Sports and Tourism Department, Bangkok hosted “Bangkok Cartoon Festival 2012”. The event's purpose is to use cartoons to promote reading habit and new creativities among children, youth, and general public. The activity responded to the project to promote Bangkok to become the City of Reading and World Book Capital in 2013. The event took place between October 12 - 14, 2012 from 13.00 - 20.00 at MBK Avenue, G Floor, MBK CENTER.

### ACTIVITIES IN THE EVENT:

■ **STAGE ACTIVITIES** included cartoon for reading promotion through mime performance, cartoon drawing competition, cosplay contest based on characters from comic books, cartoon drawing and voice acting, cartoon discussion, and puppet show from Tamfun Story Group.

■ **OTHER ACTIVITIES** included Work Shop Street Show, cartoon exhibition and sales from university students such as cartoon animations, cartoon writing and hand-made comic books.

## “THAI TUK-TUK TO TAKE CARE OF TOURISTS”



MBK Public Company Limited together with Tourist Police Station 2, Section 1, Tourist Police Division hosted “Thai Tuk Tuk to Take Care of Tourists” event on Friday, November 16, 2012 from 14.30-16.00 at MBK Avenue, G Floor, MBK CENTER.

### OBJECTIVE

To prevent crimes under Community Policing Project by building a network of Tuk Tuk drivers and local people living near tuk-tuk taxi hubs to help police by keeping a lookout for foreign and Thai tourists from being cheated, harmed or taken advantages of.

### ACTIVITIES IN THE EVENT

LAUNCH OF TUK TUK PARADE to increase awareness and reassurance for tourists in regards to Tuk Tuk safety because Tuk Tuk is a main transportation used by most tourists, especially foreign tourists. The parade started from MBK CENTER and finished at City Pillar Shrine, Sanam Luang.

## “SAFE TRAVEL FOR KIDS FROM KIND ADULTS”



MBK Public Company Limited together with Child Safety Promotion and Injury Prevention Research Center (CSIP), Department of Pediatrics, Faculty of Medicine, Ramathibodi Hospital and network associates hosted “Safe Travel for Kids from Kind Adults” event on Tuesday, November 20, 2012 from 15.00 - 17.00 at MBK Avenue, G Floor, MBK CENTER.

### OBJECTIVE

To encourage every segment in society become more aware of and alert about footpath safety for kids by asserting the construction and renovation of safe footpaths, including environment along footpaths for kids’ safety.

### ACTIVITIES IN THE EVENT

**STAGE ACTIVITIES:** Walk This Way Flash Mob Dance by students from schools in Bangkok Metropolitan Administration, performances and mascot shows to promote safe road crossing by volunteers led by DJ. Nui Thanawat Prasitsomporn from 94 EFM and voluntary students.

**OTHER ACTIVITIES:** Part of the event venue was changed into a model footpath while there was also an exhibition of selected footpath walking pictures from schools in the project. Additionally, there were snake-ladder game booth, and activity booths from various organizations and foundations to entertain all participants.

## “FULFILL...BUILD A HAPPY COMMUNITY”



MBK Public Company Limited and its employees who were interested in doing public service activities helped underprivileged communities and their members by donating useful item and renovating buildings in order to build and improve their society. The activity was planned according to the government and corporate social responsibilities principles. In 2012 it organized under the theme “Fulfill...Build a Happy Community” and took place at Tian Tawai Temple, Pathumthani Province on December 15, 2012.

### OBJECTIVES

1. To promote unity among employees.
2. To encourage useful free-time spending by doing public service activities.
3. To cultivate positive attitude towards sharing and helping the underprivileged in society.
4. To build a positive perception of the company.

### ACTIVITIES IN THE EVENT

Renovation of rest-houses and pavilions of Tian Tawai Temple, Pathumthani – the working team surveyed temples in Pathumthani province and decided that rest-house and pavilion of Tian Tawai Temple, Pathumthani province was old and should be renovated to look more pleasant and lively.



## HEALTHCARE ACTIVITY

PREVENTION OF SEXUALLY TRANSMITTED DISEASE AND AIDS

FOR VALENTINE'S DAY 2012

“SAFE LOVE BY CONDOMS”



MBK Public Company Limited together with Bureau of AIDS TB, and STIs, Department of Disease Control, Ministry of Public Health, hosted “Safe Love by Condoms”, the event to promote prevention against AIDS and sexually transmitted diseases for Valentine’s Day 2012, on Tuesday, February 14, 2012 from 10.00 – 20.00 at MBK Avenue, G Floor, MBK CENTER.

### OBJECTIVES

1. To provide information about sexually transmitted diseases and AIDS for people.
2. To encourage people to have safe sex to prevent sexually transmitted diseases and AIDS.

### ACTIVITIES IN THE EVENT

#### STAGE ACTIVITIES

- ▶ “Safe Love by Condoms” Acoustic music performance by Kon Bai Klai Kliad Junior.
- ▶ Mini concert from Neko Jump and Sin Charoen Brothers.

#### OTHER ACTIVITIES

- ▶ Sexually transmitted disease and AIDS prevention exhibition, Wire Love Game, Love Rhythm and Love Keys.
- ▶ Distribution of free handouts with information about sexually transmitted disease and AIDS and free condoms and condom point at the junction of the cross bridge and 2nd Floor (Bonanza).

## “WORLD KIDNEY DAY”



MBK Public Company Limited and The Nephrology Society of Thailand hosted “World Kidney Day” event in the occasion of World Kidney Day of 2012 on Saturday, March 4, 2012, from 10.00 – 18.00 at Rama Hall, G Floor, MBK CENTER.

### OBJECTIVE

To provide information about kidney health for people by organizing a parade to give away brochure about kidney disease.

### ACTIVITIES IN THE EVENT

In the event, participants would meet doctors to check their kidney health. There were also activity and information booths and mini concerts from famous artists.

## “WORLD NO TOBACCO DAY”



MBK Public Company Limited and Thai Health Promotion Foundation hosted an event for “World No Tobacco Day” on May 31, 2012 in order to increase awareness and reaffirm the no-smoking trend. The event also aimed to educate people about harms and effects from tobacco assumption. The event took place on May 31, 2012, from 10.00 – 18.00 at MBK Avenue, G Floor, MBK CENTER.

### OBJECTIVES

1. To promote World No Tobacco Day on May 31, 2012.
2. To prevent young people from smoking by cultivating the value of no smoking and providing information about harms and effects from tobacco consumption.

### ACTIVITIES IN THE EVENT

**ACTIVITIES :** “NoNo One’s Leg Rabbit” activity to increase awareness among young people to stop them from smoking and educate participants about tobacco industry by medical students from 4 universities – Chulalongkorn University, Thammasart University, Srinakharinwirot University and Rangsit University. “NoNo One Leg’s Rabbit” mascot also made an appearance to entertain people. There was also “NoNo Penalty Kick Cigarettes” game to invite children and general people to join the penalty kick game to destroy cigarettes and win small prizes.

## CULTURAL ACTIVITY

### NATIONAL MOTHER'S DAY ACTIVITY

#### “MBK CONNECT AND STRENGTHEN...LOVE FOR MOM 2012”



In the occasion of the National Mother's Day on August 12, 2012, MBK Public Company Limited, MBK CENTER Executives, Pathumwan District Office, Government Agencies and Shops in MBK CENTER organized “MBK Connect and Strengthen...Love for Mom 2012” event on Sunday, August 12, 2012 at MBK Avenue, G Floor, MBK CENTER.

#### OBJECTIVES

1. To give people an opportunity to express royalty and extend best wishes on the 80<sup>th</sup> Birthday of Her Majesty Queen Sirikit.
2. To organize activities to raise awareness among children and young people in regards to the importance of Mother's Day as the day to express love and gratitude towards parents.
3. To raise awareness among general people the importance of family, especially in giving and sharing smiles and happiness in the family.
4. In order to help increase green areas in Bangkok.

#### ACTIVITIES IN THE EVENT

FREE JASMINE PLANTS 8,000 TREES were given away to participants in the activities at MBK Avenue, G Floor, MBK CENTER.

#### EXHIBITION IN HONOR OF HM THE QUEEN:

The exhibition showcased royal duties of Her Majesty Queen Sirikit in the field of education, public health and social works. The royal projects included Save Sea Turtle – Royal Initiative Project, HM The Queen and Her SUPPORT, Royal projects regarding religions, Royal projects regarding the 3 provinces on the south border, and photographs of HM The Queen wearing Thai fabrics to travel across the country.

#### ACTIVITY BOOTHS included 10 booths:

- ▶ Confessing love with a jasmine pot booth
- ▶ Jasmine bouquet to show love booth
- ▶ Love card booth
- ▶ Ole Cutie booth
- ▶ Key chain for love booth
- ▶ Beading booth
- ▶ Mini molding booth
- ▶ Banana leaf garland booth
- ▶ Health check-up booth for moms
- ▶ Mom and Kids Photo Booth

#### STAGE ACTIVITIES

- ▶ Celebratory performance in honor of HM the Queen's 80<sup>th</sup> Birthday
- ▶ ME&MOM Best Buddy Contest
- ▶ Mini concert from Fay Fang Keaw and their mothers

CANDLE-LIT CEREMONY led by the executives of MBK CENTER, Fay Fang Keaw and their mothers along with more than 500 people who came together to light candles to wish HM the Queen a happy birthday along with the rest of the country at MBK Avenue, G Floor, MBK CENTER.

## NATIONAL FATHER'S DAY ACTIVITY

### "ART STREET OF THE KING"



In the occasion of National Father's Day 2012, MBK Public Company Limited, MBK Center executives, Bangkok Metropolitan Administration and Pathumwan District Office organized an activity for National Father's Day 2012 under the theme "Art Street of the King" on December 5, 2012 from 13.00 – 19.30 at MBK Avenue, G Floor, MBK CENTER.

#### OBJECTIVES

1. To give people an opportunity to express royalty and extend best wishes on the 85th Birthday of His Majesty the King.
2. To cultivate in children, young people and general public to develop the sense of gratitude towards father and be aware of the importance of families.
3. To inspire general public and young people to follow the King as the role model who has been lighting the way for all of his subjects' lives.
4. To organize activities to strengthen the relationship between the company, shops in the Shopping Center, government and private sectors.

#### ACTIVITIES IN THE EVENT

■ **85-METER DRAWING IN CELEBRATION IN HONOR OF HM THE KING'S 85<sup>TH</sup> BIRTHDAY** by artists, actors, students from Faculty of Painting Sculpture and Graphic Arts, Silpakorn University, students from Chulalongkorn University, Plukchit school, Pathum Wanaram school, Wat Baromniwas school, Pathumwan school and Wad Duangkhae school at MBK Avenue, G Floor, MBK CENTER.

■ **ROYAL PHOTO EXHIBITION** to showcase rare photographs taken by HM the King.

■ **ART WORK SHOPS** included rabbit sculpture and painting booth and drawing the King workshop booth.

#### ■ STAGE ACTIVITIES

▶ Celebratory performance in honor of HM the King's 85<sup>th</sup> Birthday

▶ Interview a celebrity father-daughter couple – Tang Mo Patarida Patcharawerapong and her father Sophon Patcharawerapong

▶ Mini concert from Kan Napat Inchai-uer (Kan The Star 6) and father Chamnan Inchai-uer

■ **THAI CULTURE PERFORMANCE IN HONOR OF HM THE KING** included Khon, Muay Thai, Thai folk songs, Thai music and Thai xylophone on Art Street at MBK Avenue, G Floor, MBK CENTER.

■ **CANDLE-LIT CEREMONY** led by the executives of MBK CENTER, Sabai Band along with more than 500 people who came together to light candles to wish HM the King a happy birthday along with the rest of the country at MBK Avenue, G Floor, MBK CENTER.

## CUSTOMER RELATIONS ACTIVITY

### MBK ON TOUR # 2

“VISIT BANG PA KHONG RIVERBANK, PAY HOMAGE TO LUANG PO SOTHORN, WORSHIP GANESH, TASTE FAMOUS DESSERTS AT CHA CHOENG SAO”



MBK on Tour #2 at Cha Choeng Sao took place on Wednesday, September 26, 2012. The tour was a one-day excursion to temples. The detail of the trip is as follows:

Join the trip to pay homage to Luang Po Sothorn, an important Buddha image enshrined at the monastery of the ancient temple of Cha Choeng Sao province, Wat Sothorn Wararam Worrawiharn (Wat Luang Po Sothorn). Enjoy a delicious lunch on a river raft before taking off to visit Wat Uphai Phatikaram to worship Luang Po Sam Po Kong. Then travel to Wat Cheen Pracha Samoson (Leng Hok Yi) or Luck Dragon Temple to worship and admire the magnificent beauty of Thailand's biggest Reclining Ganesh, the god of success at Ganesh Garden Wat Saman Ratanaram. End the trip with local products and souvenirs shopping.

#### OBJECTIVES:

1. To give tenants in the Shopping Centers an opportunity to meet and participate in an activity together.
2. To strengthen the relationship between the company and the tenants in the Shopping Center.
3. To give tenants in the Shopping Center an opportunity to participate in an activity with the company's executive.
4. To build positive perception of the company.



**MBK**  
GROUP



**บริษัท เอ็ม บี เค จำกัด (มหาชน)  
MBK PUBLIC COMPANY LIMITED**

444, ชั้น 8, อาคาร เอ็ม บี เค เซ็นเตอร์ ถนนพญาไท แขวงวังใหม่ เขตปทุมวัน กรุงเทพฯ 10330  
โทร : 0-2620-9000 แฟกซ์ : 0-2620-7000

444, 8<sup>th</sup> Floor, MBK Center Building, Phayathai Rd, Wang Mai, Pathumwan, Bangkok 10330  
Tel : 0-2620-9000 Fax : 0-2620-7000

E-mail : [mbk@mbk-center.co.th](mailto:mbk@mbk-center.co.th) [www.mbk-center.co.th](http://www.mbk-center.co.th)