

**Annual Report**

**Ended December 31, 2013**

**Sabina Public Company Limited.**

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## Message from the Chairman

From the previous year, I said that in year 2013 we could hope to see sales record to be as high as we had done in year 2006. However, the external factor which related to the unstable political situation influenced the overall economic sector for the entire of Thailand. Especially, purchasing power reduced from the customers since the last half of the year.

Therefore, I hope that in year 2014 we would remain strong spirit. And I wish the situation in Thailand will be solved in peaceful in very soon. Specially, planning for this year will have to focus on short-term together with the long-term plan to make it flexible to the fast changing situation. We could not do only long-term plan like we did in the past, we have to evaluate short-term plan in every quarter of the year and ready to adjust in prompt.

For this New Year 2014, I want you to hold on to our King Bhumibol Adulyadej's speech on 5 December 2013 which was **"Do your duties properly"** and **"Keeping benefit of public is the security and safety for all"**

"Do the duties properly" means pride and honor in doing righteous duty to yourself and other. "Keeping benefit of the public is the security and safety" means things that we do will benefit to public not for privately or some group of people then security and safety will be in result.

I truly believe that everyone in this company will always bring both of the royal words above to carry out. Do not worry that we still cannot make sales as much as the past, good quality and service will reflect to the good sales accordingly.

Best regards,



(Mr. Viroj Thanalongkorn)

Chairman

Sabina Public Company Limited

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## **Nature of Business**

### **Policy and Over all Business**

#### **Vision**

The company established vision to operate business under “Create Value with Innovation” concept. We have strong determination to make SABINA brand to be the valued ladies’ lingerie brand with new innovation, trendy fashion, respectful quality and fit in demand of women in every country together with social responsibility.

#### **Mission**

To make SABINA brand complying with the established vision, the company has missions to execute as it separate to the ideas as follow:

#### **People:** Trust and Worthiness in human as precious resources

The company believes that employees are valuable human resources of the company because employees are important part of company operate to achieve every goals and objectives. The company gives high priority in taking care of every employee as the precious resource.

#### **Product:** Delivered products beyond expectation

The company will produce quality product to meet the customers’ expectation with detailed research and development in result to produce new innovation products to meet female needs for all ages.

#### **Partners:** Trust and Reliable Enterprise

The company will manage and operate to have trust and reliable from all shareholders or every stakeholders of the company in every sector which are shareholder, employee, client, creditor, and competitor.

#### **Productivity:** Innovation through productivity by advance mechanism

The company will bring technology and innovation in managing production by using state of the art production machines to make high standard quality products and to be acceptance from customers all over the world.

#### **Planet :** Return Benefit to Society and Environment

The company insists to operate business by paying back to societies and environment.

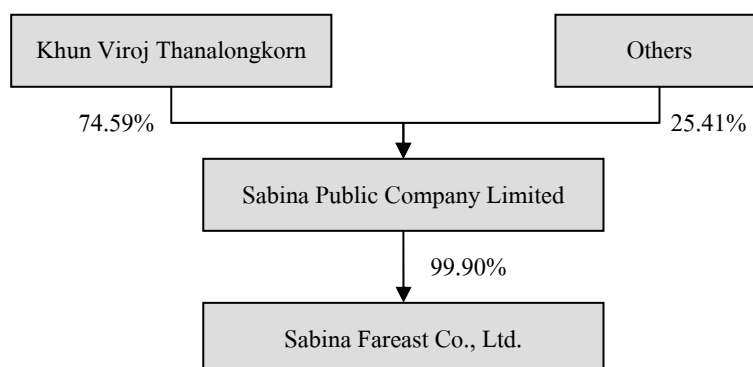
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## Strategies and goals of the company

The company set business strategies and goals as follows;

- 1. Asian Brand** : From recently adjustment of company's strategy by reduce production proportion to foreign brands client but emphasize on local SABINA brand which approximately sales 80-90% resulted in expansion of sales entire Thailand. Plus the establishing of company-owned retail stores about 70 branches which aim to be 100 branches within 2014. In the next step, the company targets to build SABINA brand to be leader lingerie brand in ASEAN. Accordingly, AEC : Asean Economic Community, comprises 10 membership countries comprise of Thailand, Malaysia, Singapore, Philippines, Indonesia, Brunei, Vietnam, Laos, Myanmar, and Cambodia which has main objective of free trade in Asean including products, services, investment, capital, and skilled workers without commercial obstruction which lowest tariff and planned to 0% within January 1, 2015. There will be a great opportunity of the company to develop SABINA brand to be the leader in Thailand and also in ASEAN in the future.
- 2. Improvement of production effective:** The Company always gives the important on Improvement of production effective by using tools in production management which aim to make company's Sustainable Growth. In this stage, every improvement in every system will be integrated to result for entire of the company to clients and stakeholders via TPM + CSR project (**Total Productive Management + Corporate Social Responsibility**) which is the integration of every improvement including production effective together with social responsibility. **Lean Enterprise** is the expansion of lean system to entire the company and goes beyond to suppliers and customers to be single chain of relationship which lead to stronger bond in business. Also, the ultimate goal is TQM (Total Quality Management) system to make quality management throughout the company and this become the important organizational culture for everyone in organization and taking part in company operational development continually which aim to response to customers' needs and satisfaction that will create business opportunity, competitive advantage, and Sustainable Growth.
- 3. Expansion to other business:** Regarding to the establishment of AEC as mentioned above means that it is great opportunity for the company to expand to other business such as import different brands in Asean to expand market in Thailand by using expertise and good relationship with Thailand's leading shopping center to be an advantage in business contact and process.

### Shareholding Structures of the Company and Subsidiary as at December 30, 2013



#### Sabina Public Company Limited (The Company)

Sabina Public Company Limited, formerly known as J and D Apparel Public Company Limited, was established on August 17, 1995 with a registered capital of one million baht, which was divided into 1,000 ordinary shares with a par value of 1,000 baht. On May 18, 2007, it had a registered capital of 295 million baht, which was divided into 59 million ordinary shares with a par value of 5 baht. On May 15, 2008, it had a registered capital of 347.50 million baht, which was divided into 69.5 million shares with a par value of 5 baht. On August 1, 2012, it had change in par value from Baht 5 per share to Baht 1 per share a registered capital of 347.50 million baht, which was divided into 347.5 million shares with a par value of 1 baht.

The Company manufactures and sells ladies lingerie for our subsidiaries and overseas OEM products buyers in the United States, Europe and Scandinavia, etc. We began to manufacture our products and sold them to our subsidiaries, which had been in business for a long time and received orders from overseas customers. Later, we are better recognized by OEM customers and sell our products to them directly. When the Company had been known among international customers, the Company started the direct distribution of the OEM to its customers with less depending on its subsidiaries which led the international OEM to be the Company's main revenue.

However, after its policy adjustment by reducing the distribution to the overseas lingerie distributors since 2008, the Company's main revenue presently comes from manufacturing and product distribution to its subsidiaries.

Presently, we have three factories located in Chainat, Yasothon and Buriram Province with total 2,600 machines including 2,300 sewing machines and 300 other machines. Besides above machines we also have special machine attachment in order to increase our production capacity according to each sewing type. Currently, our total production capacity is 5.39 million pieces per year. We also established a Labor Skills Training Center pursuant to the Labor Skill Development Promotion Act 2002 to teach sewing to interested persons. The center, apart from resolving the issue of lack of skilled staff, it also helps create jobs, improve financial status and living standards of the local people. So far, our company and its subsidiaries have 4,180 employees.

### Sabina Fareast Co., Ltd. (Subsidiary)

Sabina Fareast Co., Ltd. was established on January 11, 1977, with a registered capital of one million baht, which was divided into 1,000 ordinary shares with a par value of 1,000 baht. Presently, its registered capital was 145 million baht, which is divided into 1,450,000 ordinary shares with a par value of 100 baht.

#### Nature of business:

1. Design and manufacturing of Sabina lingerie for local sale and overseas markets, which consist of a collection of Sabinie, Doomm Doomm, , Soft Doomm, Modern Curve by Sabina, Modern V by Sabina , Viora and several collection suit for all women type. In 2012, the Company launched the new collection named Modern V with TV commercial in 2013 which made very good response of customers.
2. Design and manufacturing of ladies lingerie to orders of customers who are vendors of OEM products in the United States, Europe and Scandinavia, etc.

Our main sources of incomes are sale of ladies lingerie under our own brand name in leading department stores in Bangkok and other provinces as well as sale of ladies lingerie under our registered trademark “SABINA” “SABINIE” and “SBN to the distributors that sell products in the department stores in the United Arab Emirates, Iran, Bahrain, in Asia: Pakistan and also including ASEAN Economic Community (AEC); Myanmar, Cambodia, Singapore, Philippines, Laos, Vietnam, etc.

Presently, our subsidiary has two factories: one in Nakhon Pathom and another one in Bangkok with 1,500 machines in total including 1,300 sewing machines and 200 other machines. We also have maintenance plan to maintain our production standard and keep our safety level for employees. Production capacity of our subsidiary is 2.44 million pieces per year.

**Table: Activities of the Company and Subsidiary**

| Activity   | Design | Manufacturing and Sales under Own Brand Names | Manufacturing and Sales to Subsidiary | Manufacturing and Sales of OEM Products to Overseas Customers |
|------------|--------|-----------------------------------------------|---------------------------------------|---------------------------------------------------------------|
| Company    | ✓      |                                               | ✓                                     | ✓                                                             |
| Subsidiary | ✓      | ✓                                             |                                       | ✓                                                             |

## **Nature of Business**

### **Company's Profile and Outstanding Development**

Sabina Public Company Limited, formally known as J&D Apparel Public Company Limited, was founded on August 17, 1985 with registered capital of Baht 1 million, and Sabina Fareast Company Limited (Subsidiaries) was founded on January 11, 1977 with registered capital of Baht 1 million to operate lingerie business under the Subsidiaries' own brand and according to the orders from OEM customers.

The Company and Subsidiaries were founded by the 2nd generation of Thanalongkorn Family led by Mr. Viroj Thanalongkorn, who has experience in lingerie business for over 40 years. The 1st generation of Thanalongkorn started lingerie business from Jintana Lingerie Limited Partnership, which was founded by Mrs. Jintana and Mr. Adul Thanalongkorn, parents of Mr. Viroj Thanalongkorn who is management and major shareholder of the company. The Company and Subsidiaries have separated operation from Jintana Apparel Company Limited (present name of Jintana Lingerie Limited Partnership) over the last 17 years.

On May 18, 2007, J&D Apparel Public Company Limited changed its name to Sabina Public Company Limited with registered head office at 177 Moo8, Wangkaituen Sub-district, Hanka District, Chainat and 3 subsidiaries offices at 236 Moo10, Dootung Sub-district, Muang District, Yasothon; 12 Arun-Amarin Road, Arun-Amarin Sub-district, Bangkoknoi District, Bangkok; and 30/5 Moo12, Putthamonthon 5 Road, Raiking Sub-district, Sampran District, Nakorn Pathom., 81, 106 Moo6, Nongbout, Sub-District, Nangrong District, Buriram.

Profile and Outstanding Development of the company and subsidiary in 2013 can be concluded as the following information below;

- Sabina Public Company Limited had been evaluated of AGM (Annual General Meeting) perfect 100 for 4 consecutive years since 2010.
- Sabina Public Company Limited had been evaluated of CG (Corporate Governance) for 4 stars for 2 consecutive years since 2011.
- Sabina Fareast Company Limited (Ta-Phra factory) awarded “Operations outstanding in labor relations and welfare” from Department of Labour Protection and Welfare, Ministry of Labour for 5 consecutive years since 2009
- Sabina Public Company Limited (Yasothon factory) awarded “Labor skill development of the year 2013 on March 2, 2013 from Department of Labour Protection and Welfare, Ministry of Labour
- Sabina Public Company Limited (Yasothon factory) awarded “Operations outstanding in safety, sanitation, and working environment - national level of the year 2013” for 2 consecutive years in National week of safety and security in working #27 form Department of Labour Protection and Welfare, Ministry of Labour on July 3, 2013.
- Sabina Public Company Limited (Yasothon factory) awarded from **Princess Ubolratana Rajakanya Sirivadhana Barnavadi**, To Be number one project’s president, in category of To Be number one association in large-scale operations, with standard and being role model in Gold level of the first year of To Be number



one national level achievement (2013) at IMPACT forum convention center, Muangthong Thani on July 14-15, 2013

- Sabina Public Company Limited (Yasothon factory) awarded in Zero accident campaign 2013 during January 1, 2012 to December 31, 2013 from Department of Labour Protection and Welfare, Ministry of Labour on August 23, 2013.
- Sabina Public Company Limited (Yasothon factory) honored the Operations outstanding in labor relations and welfare” from Department of Labour Protection and Welfare, Ministry of Labour for 5 consecutive years on September 13, 2013.
- Sabina Public Company Limited (Yasothon factory) awarded Silver class from “Thailand 5 S Award 2013” by Technology Promotion Association (Thailand-Japan) or TPA at BITEC Convention and Exhibition center Bangna Bangkok on November 27, 2013.
- Sabina Fareast Company Limited (Sai 5 factory) awarded Operations outstanding in labor relations and welfare” of the year 2013 #4 on September 13, 2013 from Department of Labour Protection and Welfare, Ministry of Labour.
- Sabina Fareast Company Limited (Sai 5 factory) was guaranteed in standard of Drug abuse control in operations of the year 2013 on December 18, 2013 from Department of Labour Protection and Welfare (Nakhon Phrathom Province).

#### **Income Structure (Incomes net of Connected Transactions)**

Revenue from product sales under its subsidiaries’ trading marks is the present main revenue of the Company which accounted for 89.78 % and 90.33% of the total revenue in the financial statements of 2012 and 2013, respectively. On the other hand, the revenue from the OEM products decreased to 9.15% and 9.13% of the total revenue in the consolidated financial statements in 2012 and 2013, respectively.

| Product Lines                                                             | By                          | Share-<br>holding<br>ratio % | 2011     |        | 2012     |        | 2013     |        |
|---------------------------------------------------------------------------|-----------------------------|------------------------------|----------|--------|----------|--------|----------|--------|
|                                                                           |                             |                              | value    | %      | value    | %      | value    | %      |
| Sale of subsidiary’s<br>brandname products                                | Sabina Fareast<br>Co., Ltd. | 99.90%                       | 1,474.02 | 76.48  | 1,824.70 | 89.78  | 1,977.69 | 90.33  |
| Sale of OEM products                                                      | Sabina Plc.                 | -                            | 426.91   | 22.15  | 185.90   | 9.15   | 199.96   | 9.13   |
| Incomes from provision<br>of service and other<br>sources <sup>1, 2</sup> | Sabina Plc.                 | -                            | 26.34    | 1.37   | 21.88    | 1.07   | 11.78    | 0.54   |
| Total                                                                     |                             |                              | 1,927.27 | 100.00 | 2,032.48 | 100.00 | 2,189.43 | 100.00 |

Note: 1. Our sources of incomes are garment production and product sewing services.

2. Other sources of incomes are interest earning, duty refund, profit from the exchange rates, and rent out real estate.

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**Business Objectives**

The Company has adjusted its business goal since 2007 by reducing the portion of the OEM product sales and the local SABINA's sales from 54.89% to 46.15% in 2008, and 30.83% in 2009, respectively, to 28.78% in 2010 and to 22.15% in 2011 and 9.15% in 2012 of the total revenue of the consolidated financial statements, and reduced to 9.13% in 2013. Therefore, SABINA Company would remain proportion of OEM product sales below 10-20 percent due to:

1. Uncertainty of overseas market; However United States' economic crisis tended to be better but domestic consumption growth is still low. Including, domestic consumption in United States is now focusing on low cost product that means factory which offer to produce in low cost will take advantage and put quality and design aspect to lower priority. It seems to be harder competition when consider the competitors such as China, Indonesia, and other countries have much more lower cost of production led to the difficulty of taking orders from United States. For Europe countries, they heavily are now facing public debt crisis and still have no clearly signal of recovery. European market originally focus on high quality product, great design, and high prices but after economic crisis in Europe influenced cost awareness of consumption, consumers give priority to price and cost that led to more difficulty in taking order from European market. However, our company still focuses on European market sales in order to expose to changing fashion trends. Importantly, our company will be more careful on expenditure and taking order only 10-20% of production capacity. About currency exchange issue, even in the end of 2013 Thai Baht tended to depreciate against the US dollar due to the recovery of US economy which made US Dollar transferred back to United States from Asia. So, Thai Baht depreciated from 31 Baht per 1 US Dollar to 32-33 Baht per 1 US Dollar and 40 Baht per 1 Euro depreciated to 44 Baht per 1 Euro. These clients are not only expert in purchasing; they also used currency depreciation to make it more advantage in bargaining, to buy in cheaper.
2. The minimum wage; However, our company had higher cost in 2013 from the Government policy to increase a daily minimum wage. Our company also developing production process to less cost by adapted "Lean" management but it could not compensate in the capital which increased from minimal wage led to the struggle of ability in taking order from international when compete with labor cost in other countries such as China , Indonesia, and other countries in Asia. With the reasons above and for the sustainable growth of the Company, the Company had turned its emphasis to the local lingerie market in the past 4 years which led to an impressive growth of the SABINA brand bettering the overall market growth at 9.3% in 2009, 16.7% in 2010, 11.4% in 2011, 23.79% in 2012 and 8.4% in 2013. It is expected that the Company's market share in the lady's lingerie market is ranked second place. The Company aims to maintain its growth to be one of the leading companies in Thailand's lady's lingerie market.

3. For 2013, the Company's business operation goals are as follows:

- 1) Domestic Sabina's brand expansion – However, the Company got some impacts on decreasing sales in last 2013 due to political situation which did not make good mood to the customers to shop and consume reflected on decreasing in overall domestic consumption and the conflicted situation seems not clear about the end. The Company has a goal for strengthen the brand domestically to develop brand recognition and brand acceptance, especially, maximize lingerie market share. The Company focus on growth in 2 main target groups which are teenage girl that the Company performed well on this group so far by focusing on behavioral research, fashion trends, and demands to respond this fast-changing target group, including provide more budget for marketing campaign to maintain and increase market share. Another target group is women group which the Company responded to their demands by launched “Modern V” product category which is the bra featuring with support function. To promote this product, we had Araya A. Hargate (Chompoo) as the presenter which made much growth in company's sales in mid 2013. In 2014, the Company will keep concentrating on promoting product to these 2 target groups to emphasize Sabina branding as the brand that right for both girls and women as always.
- 2) International Sabina's brand expansion – The Company has a goal to expand its Sabina brand to the international markets, particularly the Asean Economic Community (AEC) comprising 10 members i.e. Thailand, Malaysia, Singapore, Philippines, Indonesia, Brunei, Vietnam, Laos, Myanmar and Cambodia. Its main objectives are to promote free trade of products, services, investments capitals and skilled labors without any trade barrier, except tariff. Accordingly, the tariffs are minimized and will become zero within January 1, 2015. The Company has partly initiated its expansion in the form of appointment distributors in those countries for 7 countries which are Malaysia, Singapore, Philippines, Vietnam, Laos, Myanmar, and Cambodia which tends to have more effect on sales in nearly future. The rest which are Indonesia and Brunei, the company anticipates about appointing distributors soon. For the countries outside Asean region, the company appointed distributors and sales in normal form consist of Taiwan, United Arab Emirates, Pakistan, Bangladesh, Kazakhstan, Iran as well. SABINA Company forecast increasing of sales overseas in 2014 to 80 million Baht.
- 3) Original Equipment Manufacturer (OEM) – Although the Company's policy to reduce the OEM products, they are still accounting for approximately 10- 20% of the production capacity to maintain long-term relationships customers in case of unexpected situations of domestic markets such as any political violence which lessen the ability to achieve the local goal. As a result, the Company can consistently follow the international trend which will be developed for the benefit of the local market. However, the OEM of the Company still focuses on the significant consideration of the profit to support the factories' better efficiency.

- 4) Retail Shop Opening under SABINA brand – The Company has a policy to open retail shops under SABINA brand as another channel to increase sales volume and to create brand recognition among consumers. At present, the Company’ retail shops consist of 70 shops and will be expanded to 100 shops within 2014. The company always does research and development to maintain competitive ability in changing technology and customers’ need all the time by focusing in develops new types of product, quality, improvement of production and operation to be more effective. Therefore, the company realizes about research and development to increase income and decrease cost of production, so we appoint specialize department in research and development only and closely cooperate with Marketing and Production department. In present, the company and subsidiaries are doing research and development in detail as follows.

## **Product Lines**

### **Product Characteristics**

We and our subsidiary design manufacture and sell ladies lingerie under the subsidiary’s brandname “Sabina”. Our products meet the demand of children, teenagers, young women and adults. We also sell corsets, girdles and other types of lingerie. We have many collections such as “Sabinie”, “Cool Teen”, “Pretty Perfect”, “Modern Curve by Sabina”, “Doomm Series”, “Soft Doomm”, “Viora” and “Gossip Bra by Sabina” and other new collections which launched in 2013 in “Modern V” collection featuring with Araya A. Hargate (Chompoo), one of the most favorite actress in Thailand, as the officially presenter resulted in many good response from customers. In addition, we also design and manufacture ladies lingerie for the distributors of highly popular brandname in Europe.

Sabina products are unique in their colorful and fashionable designs; they have all the functionality to satisfy modern women who attach importance to lingerie with excellent design. They also improve the figure and enhance the beauty in the most fashionable way. They come in two types:

### **Products manufactured and sold under subsidiary’s brandnames**

Including 3 types:

#### **- Bras**

Not only are bras essential to women, they are also fashionable products to help wearer increase self-confidence. We have a wide range of products such as semi-cup bras, full coverage bras, under-wired bras, wireless bras, including the fashionable strapless bras.

#### **- Underpants**

Underpants are essential in daily life. The company separates product into 2 categories consists of Fashion underpants that have pattern and design to match together with bras. And another category is Basic underpants that have plain colors and very functional feature such as trouser, bikini, full-body, etc. and also produce according to different type of cloth such as cotton, microfiber, etc. So, we categorize these called “Panty Zone”

#### **- Other types of products**

Other types of products are lingerie accessories such as bra straps, breast enhancers, bra extender, etc. The company encompasses a wide range of these items for customers to buy.

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**Products made for overseas distributors (OEM products)**

We make OEM products to customer's order. In fact, some of them are adapted from our original designs to customer's order—approximately 30% of all OEM products.

Presently, we work closely with our buyers. Their designers usually come to see our designers to collaborate on the design. We introduce the trends, colors, moods and tones for each season before product development. We also work with fabric and lace vendors and raw material suppliers on the designs, patterns, colors and tones.

**Marketing and Competition****Competitive Strategies****- For subsidiary's brandname products****Development of innovative lingerie**

We put emphasis on research and development. We conduct focus group consumer behavior analysis, School and university tour, and use the data obtained from in the development of new products in line with the consumer's ever changing behavior and demand in terms of lingerie functions and fashions influenced by Europe fashion trends. The Company makes OEM products so we have acknowledged new information and modern trend. At present, with the customers' information received from fast growing communication technology, the Company must offer fashion products with quality and suitability which suit the need of customers at reasonable prices.

**Expansion of overseas customer base**

We intend to increase the export our subsidiary's brandname products to gain recognition among consumers worldwide, particularly the AEC comprising 10 countries i.e. Vietnam, Laos, Cambodia, Myanmar, Philippines, Indonesia, Malaysia, Singapore, Brunei and Thailand. AEC is the economic community as same as the European Community which products, services, investments capitals and skilled labors are freely traded. We aims to expand the Sabina brand to be known in the ASEAN markets and oversea consumers. At present, the company has appointed distributors in 7 countries in Asean which are Myanmar, Vietnam, Laos, Cambodia, Singapore, Malaysia, and Philippines and expect to increase distributors in Indonesia and Brunei in 2014. There also some clients in Middle East and other part of Asia such as Iran, United Arab Emirates, Bangladesh, Pakistan and etc.

**New products launched continuously**

At present, the customers receive much information from continuous development of technology, especially in Social Media. The lingerie has to have the continuous development of functions and fashion. Constantly launching new products is one of the marketing strategies used to ensure that consumers are fully aware of Sabina new trends and fashion movement. We launch new products every month to maintain loyalty to our subsidiary's brandnames. In line with each target group, our Marketing Department will launch new products at short intervals to attract constant purchase. For example, Sabinie for teenagers will be launched during term breaks and before term opening.

**Policy on sales promotion**

We engage in sales promotion activities in various department stores where new products are introduced and discounts are offered to attract new customers and increase sales.

Including cooperation campaign with department stores which are commercial, fashion show, and other marketing activities.

Moreover, the company created promotional campaign by itself to make brand awareness and develop brand image due to branding is the vital key for competition which drawn customers to buy and have brand loyalty by advertising through different media such as Television, Radio, Newspapers, Magazines, other medias, and Social Media which is very effective in reaching customer personally.

### **Competitive strategies for OEM products**

#### **Maintaining current customer sales and finding new customer.**

We attach importance on maintenance of distributor's sales volume, and we are aware that good relations with all distributors can help us work efficiently. We place emphasis on manufacture of quality products to customer's order to ensure continuous purchase. Moreover, the company attempt to find new customer in Europe and Russia, which demand for trendy, quality, and high value, to avoid competition with Chinese producer which focus on large amount of product and cheaper. **Reduction of lead time**

We reduce the lead time for manufacture of lingerie by applying instant high technology to help in production planning which less time in preparation of raw material and production process. For example, the company will do "Prepurchase" in purchasing raw material process before creating official purchase order to the supplier and also check raw material at the source immediately to less time in delivering process and less raw material which does not meet the customer demand. From Prepurchase process as mentioned, it resulted to 10-15 days of preparing raw material in present day.

#### **Cost reduction**

The reduction of the costs of raw materials without lowering their quality is an essential factor in competition with manufacturers in China, Indonesia and other countries. Through cost reduction, our pricing can be more competitive and our sales can increase significantly. We reduce the costs of raw materials by finding new sources and inviting suppliers to submit tenders.

It is necessary to find new sources of raw materials of great varieties, good quality and reasonable price to avoid dependence on any sole supplier, the risks of its insufficient production capacity and the possibility of monopoly. The Company will have more choices to allocate orders of raw materials to several suppliers, both domestically and internationally. With trade agreements with several counties, presently the tariffs on import of raw materials have been reducing. Various sources of raw materials, both domestic and international, will have much less import tax from trade agreement. Therefore, finding new raw material resources both locally and internationally not only reflected company's performance about development of obtain raw material but also increase product variety and fashionable.

For the production technologies, after the success of the LEAN MANUFACTURING SYSTEMS and KAIZEN implementation, the Company has held the **Total Productive Management (TPM)** Project to centralize all improvement and development activities of the production, including cost and expense reduction.

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**Quality control**

We have adopted stringent quality control measures. Each factory has a department that conducts quality inspection in every production process. Our head office also has a work unit that conducts quality inspection from the time of preproduction of the products of all codes in various work groups to avoid errors, and conducts inspection of product samples in the final stage before delivery to ensure that the products meet international standards and conform to the specifications as set forth in customer's order. Every quarter, we conduct random inspections of our factories before the annual audit to maintain high internal standards and ensure customer's satisfaction.

**Target Groups**

We have divided our target groups according to age and purchasing behavior:

**Children and teenagers**

They are our main customer base because our products truly satisfy their demand, especially in the aspect of design, color and young looking style. Our subsidiary's brandname products of fashionable designs are quite well known to this group of buyers plus the fact that we do launch new products regularly; therefore, we can earn incomes from this group of buyers continuously.

As for children from the age of primary to lower secondary education level, their parents influence their purchase decisions. We make Sabina children lingerie that perfectly fit children bodies with designs enhancing their learning such as Collection Sport with sport activity designs. In addition, we emphasize on quality of raw materials to avoid allergies at the early age of using lingerie.

As for teenagers from the age of upper secondary to tertiary education level, their friends and the persons they like influence their purchase decisions. They tend to buy fashionable products with functionality that enhances their personality in the eye of other people. Sabina products are currently popular among teenagers. The Company still focuses on continuous producing fashioned products of this group and improves or creates new innovation to persistently serve the need of this group of customers.

**Young women and adults**

Being more mature, they want useful functionality rather than just beauty. They belong to a large group with high purchasing power; therefore, we have to launch products for this group of buyers more frequently. We pay attention on the designs with useful functionality and correction of faults to ensure customer's satisfaction. We have the bras that perfectly fit all types of breast shapes and cup sizes with all useful functionality such as "Modern Curve by Sabina" that enhances natural beauty, offers good fitting and perfect combination with fashionable clothes that will increase wearer's self-confidence. The product's unique functionality captures the hearts of young and mature women. In addition, in 2012, the Company launched the new product named "Modern V" with V sharp sponge hiding fat and making wearers perfect shape and confidence.

The decisions on lingerie purchase of young women from the age of university students to working women can be greatly influenced by friends, salesclerks and brand loyalty. This group of buyers looks for useful functionality and perfect combination with their outer garments to ensure their good personality and confidence.

Adult women are more interested in useful functionality and good fitting for their contours. Their purchase decisions can be influenced by friends, salesclerks and brandname.

#### **Overseas distributors (OEM products)**

Many distributors of OEM lingerie have been our business partners for a long time. They are distributors of famous brandname ladies lingerie in UK, France, Spain, Germany, Netherlands, etc.

These buyers prefer lingerie with useful functionality in the collections for middle to upper market. Moreover, the company steps on finding new market such as Russia to support the decrease of purchasing from old clients.

#### **Distribution channels**

##### **Distribution under subsidiary brand**

We constantly distribute our products through many channels, most of which are sale on consignment. At each outlet, we have quite a few salesclerks who have been trained to communicate with the target groups. These salesclerks advise buyers on lingerie use and unique features; they also send feedback on customer's requirements and suggestions to our Research and Development Department to help us improve our products. Presently, we have more than 1,100 salespersons.

As for overseas distribution, we distribute our Sabina, Sabinie and SBN products through our distributors in ASEAN about now 7 countries in total consist of Myanmar, Vietnam, Cambodia, Laos, Malaysia, Philippines, Singapore and 2 more countries in 2014 which are Indonesia and Brunei. And beyond Asean region which include Taiwan, Pakistan, Bangladesh, United Arab Emirates, etc.

##### **OEM Product Distribution**

We make products according to our own designs and our subsidiary's designs; we also make products to customer's orders. Most OEM product buyers are famous distributors in Europe and America; they have good relations with us, and have been our partners for a long time. We sell our products to orders of buyers, who are large own stores, department stores, modern stores, wholesalers, trading firms and importers in UK and other countries in Europe.

#### **Industries**

Manufacture of lingerie is a kind of garment industry. It is a skilled labor intensive industry. We make our own brandname and OEM products for local sale and export.

##### **Local demand and supply**

Demand – The proportion of the Thai population in 2013 showed that the female population was closed to the male population with the amount of approximately 34.13 million females or 50.60% from total population or about 67.454 million people in Thailand.

The essential factors influencing decisions on lingerie purchase depend on ages. Parents influence their children buying decisions. Teenagers prefer designs and patterns. Youth women or adults make decisions on functionalities and fashionable designs proper for their garments, respectively.



Lingerie is an essential product which has a limited lifecycle plus the fact that consumers' behaviors constantly change; therefore, there is always a great demand for lingerie.

In 2014, it is expected that the local lingerie demand will be stable or slightly drop according to following reasons below.

**Domestic political crisis** - Political situation in Thailand seems not clear to be solved and has no ending influenced on domestic lingerie consumption dropped significantly due to customers seem not in the mood to go shopping plus they always concentrated to news and updates which make marketing campaign less effective to sales even there were discount campaign to attract customers. Moreover, tourists would not come to travel and shopping in Thailand which this group is one of the important lingerie market due to lingerie in Thailand were cheaper when compare to Asean market about 20-30%. When foreign customers visit Thailand, they usually buy a lot of lingerie back to their countries. So, domestic customers do not have mood to go shopping plus less in number of tourists visit Thailand effected domestic lingerie market severely.

**Increasing in cost of living** – According to the government policy about increasing minimum wage to 300 Baht per day which made people earned more but it influenced to cost of living to increase also. Lingerie price also went up too because increasing of labor wage. However official financial numbers declared that there was low level of inflation but for real cost of living went up significantly especially 4 basic living necessities which are food, clothes, shelter, and medicine. Mid-level customers were impacted significantly from the 300-Baht minimum wage policy or 40% increasing from the past because this group did not included to adjusted wage. So they have to be more careful in spending especially teenagers which mostly get money to spend and go shopping from family which reflected in spending on lingerie dropped for Mid-level customers.

For supply aspect of lingerie market, about 40 of large, medium, and small scale producers all entire the country. According to emerging of ASEAN Economic Community (AEC) to unite Asean region expected many brands from Asean will come to Thai market especially brands from Indonesia and Vietnam which are local leader brands and have their own factories plus lower cost of production than in Thailand that could spread to medium to low market. Expecting that competition in lingerie market will be fiercer. The production characteristics are either OEM for export only or buying foreign brand license to produce and distribute both for domestic and export including production with own brand or without brand. However, many producers more focus on Product Value in present, so they have development in production process by create industrial network, prepare and management of raw material to develop products to response fast changing in customers demand, and hire production professional and foreign designers to assist in product development.

#### Local competition

There is a great deal of competition in the local market. Thai Wacoal Public Company, manufacturer of Wacoal lingerie; Triumph International (Thailand) Co., Ltd., manufacturer of Triumph lingerie; our company, manufacturer of Sabina lingerie; and many other small manufacturers of no brandname lingerie constantly turn out many types of products to supply in the market where consumers consider the price at the time of making purchase decision. At present, Thai Wacoal Public Company Limited has the largest market share. Next, to that

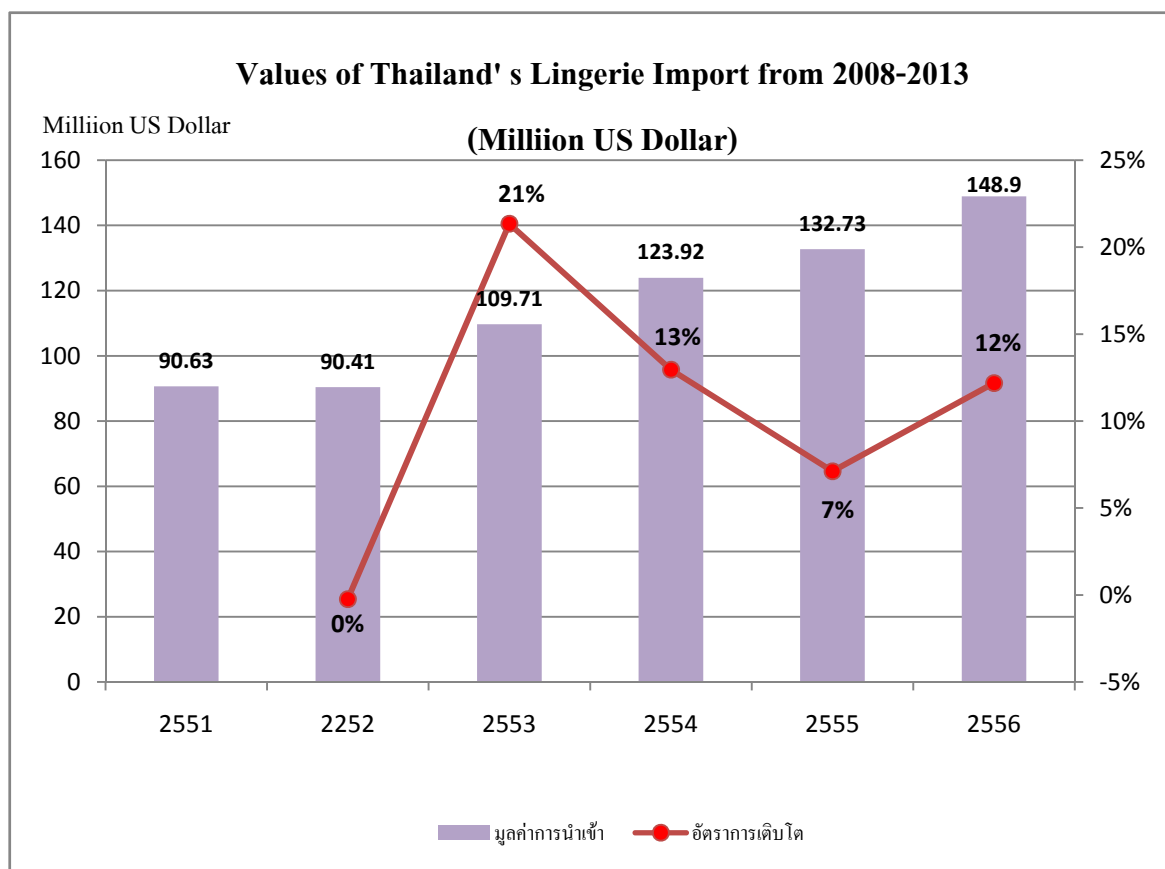
are our own company and Triumph International (Thailand) Co., Ltd., At present, the overall local lingerie market's small growth leads to the aggressive competition among the leading brands and small brands to get the market shares with all kinds of strategy such as new innovation, advertisement, public relations, direct marketing, and of all the strategies of aggressive competitions is sales promotion of discount.

Apart from competition among locally made products, there is a great deal of competition among leading lingerie imported from UK, France, USA, etc., in high-end markets. At the same time, there are cheap products from China where production cost is low, for buyers who prefer low priced products. Moreover, we expect that there will be local Asean brands that have trade agreement under AEC could join in competition soon.

### Lingerie Import

Values of Thailand's Lingerie Import from 2008 to 2013 (Million US Dollar)

| Year            | 2008       | 2009       | 2010        | 2011        | 2012        | 2013        |
|-----------------|------------|------------|-------------|-------------|-------------|-------------|
| Import value    | 90,633,523 | 90,414,181 | 109,715,634 | 123,920,600 | 132,729,400 | 148,900,000 |
| Growth rate (%) | -          | 0%         | 21%         | 13%         | 7%          | 12%         |

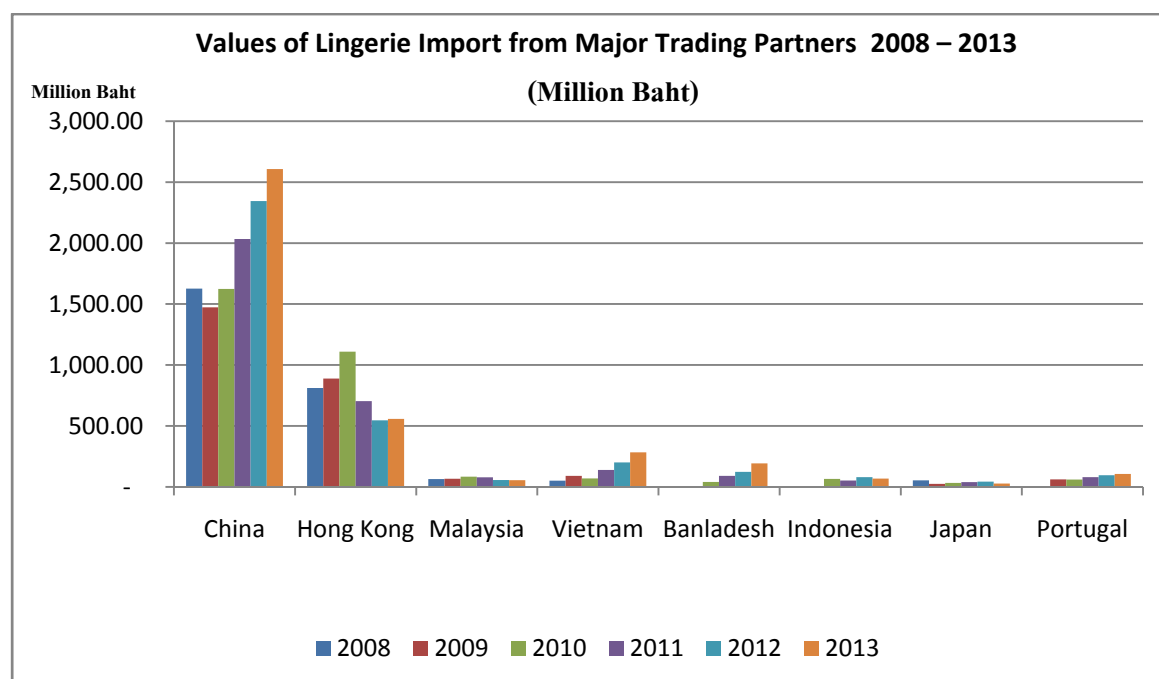


Source: Ministry of Commerce

From the table and graph, from 2008 to 2009, the import rate remained stable. However, in 2010, the lingerie import rate increased to 21% and 13% in 2011. In 2012, the import rate continued to raise, a growth of 7%, or USD 132.7 million. In 2013, there was high export rate about 148.9 million US Dollar or 12% growth which a lot more than domestic market.

**Values of Lingerie Import from Major Trading Partners from 2008 – 2013 (Million Baht)**

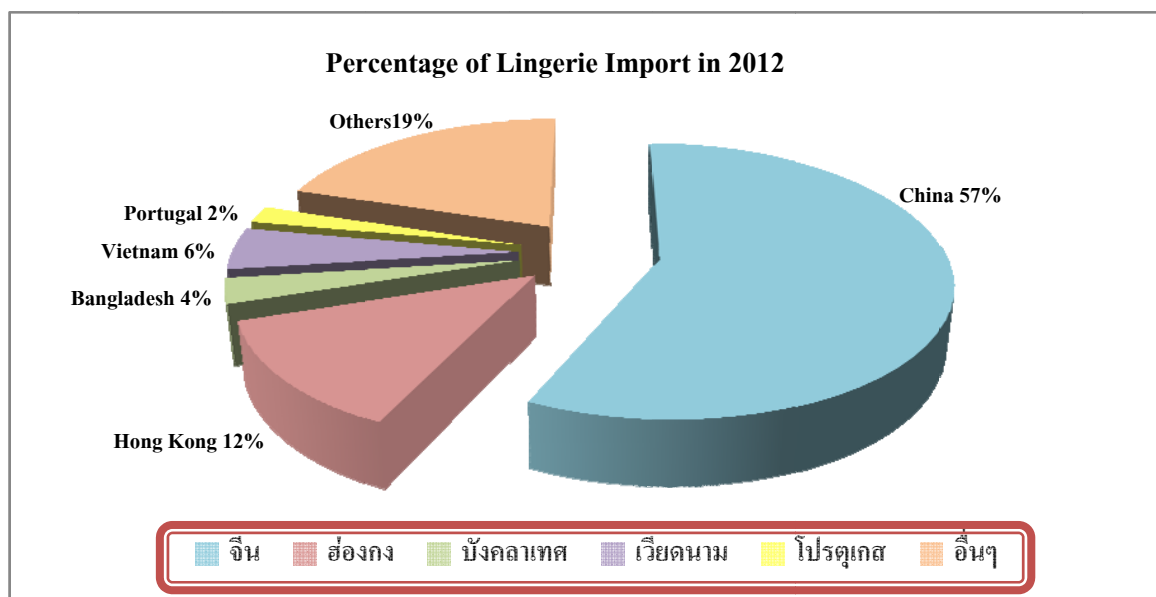
| Country    | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          |
|------------|---------------|---------------|---------------|---------------|---------------|---------------|
| China      | 1,627,234,910 | 1,473,096,810 | 1,624,104,486 | 2,033,763,400 | 2,345,061,100 | 2,607,668,900 |
| Hong Kong  | 811,572,090   | 888,753,083   | 1,108,786,299 | 703,439,800   | 546,495,700   | 558,026,800   |
| Malaysia   | 64,318,310    | 66,936,052    | 83,794,198    | 79,403,200    | 56,104,600    | 54,885,500    |
| Vietnam    | 51,048,620    | 90,789,462    | 69,940,042    | 139,626,000   | 200,294,600   | 283,223,500   |
| Bangladesh | -             | -             | 41,087,300    | 91,122,200    | 123,367,300   | 193,588,100   |
| Indonesia  | -             | -             | 65,939,594    | 52,899,400    | 79,739,400    | 67,731,700    |
| Japan      | 54,397,315    | 25,284,872    | 33,435,200    | 38,773,500    | 43,004,500    | 27,932,400    |
| Portugal   | -             | 61,758,216    | 60,486,400    | 79,848,800    | 96,425,200    | 106,161,400   |



Source: Ministry of Commerce

**Percentage of Lingerie Import in 2012**

| Country        | China | Hong Kong | Bangladesh | Vietnam | Portugal | Other countries |
|----------------|-------|-----------|------------|---------|----------|-----------------|
| Percentage (%) | 57    | 12        | 4          | 6       | 2        | 19              |



Source: Ministry of Commerce

Considered from Import rate above, there are significant import rate from China about 2,607.7 million baht or increase about 11% and also in Vietnam which increase about 41.5% that could be the effected from 300 Baht minimum wage policy in Thailand which make the production cost went up high so they had move production base to other countries instead especially in China and Vietnam which have many low-cost lingerie factory. In 2014 expected that lingerie import rate will go up continuously.

Moreover, cost of living also went up in Thailand which made people save their spending on lingerie unlike the cost of lingerie brand that increased prices due to the cost of production. So, there are the opportunity of those countries which able to produce in low cost to expand their market in Thailand. In 2014, we expected that the competition will be more intense certainly.

#### Trend of Local market

Recently in 2013, Thailand had Gross Domestic Products (GDP) approximately 2-3% so the lingerie market would expect to be in the same way but there would be more growth in lower-market conforms to the increasing of import rate from China which is cheaper to be distributed in discount store such as BigC and Tesco Lotus. These stores import product by themselves which would affect much on brand in low-market competition. In 2014 is expected low-market brands will have to fight not only with the price competitive but also there will be less in distribution channel in those stores for other low-market brands because in-house brands will have more important in the stores than other brands.

The middle-end market is the Company's big market and is expected to have more competitions entering the market, particularly from the biggest market share brand which has already entered the market to maintain and to seize more market share. Mid-level brands increased price because of the higher cost of production unlike the cost of living in Thailand which went high up led to more careful in spending of customers resulted in lower rate of lingerie consumption for domestic. Therefore, each brands will use more sales promotion strategy especially discount tactics to maintain sales and market share and also using every marketing tools such as advertising, public relations, marketing, and launching product in new function and design to market which bring to more competitive in market also.

In terms of consumer behavior trend, with the more up-to-date technology, the consumers can better accessing to product information. Consumers seek more information for shopping decision making, so every brands do Social Communication to reach more on consumers due to this is the apparently reach to consumers in personal and using less cost to do.

For product, consumers tend to wear lingerie for beautiful looks and keep body fit which are the main factors in increasing domestic lingerie sales. Wearing trendy design and colorful lingerie is more on teenager market and functional purpose as the basic necessity in women daily life would increase follows the women's growth in population rate and new functional lingerie to support body and improve personality.

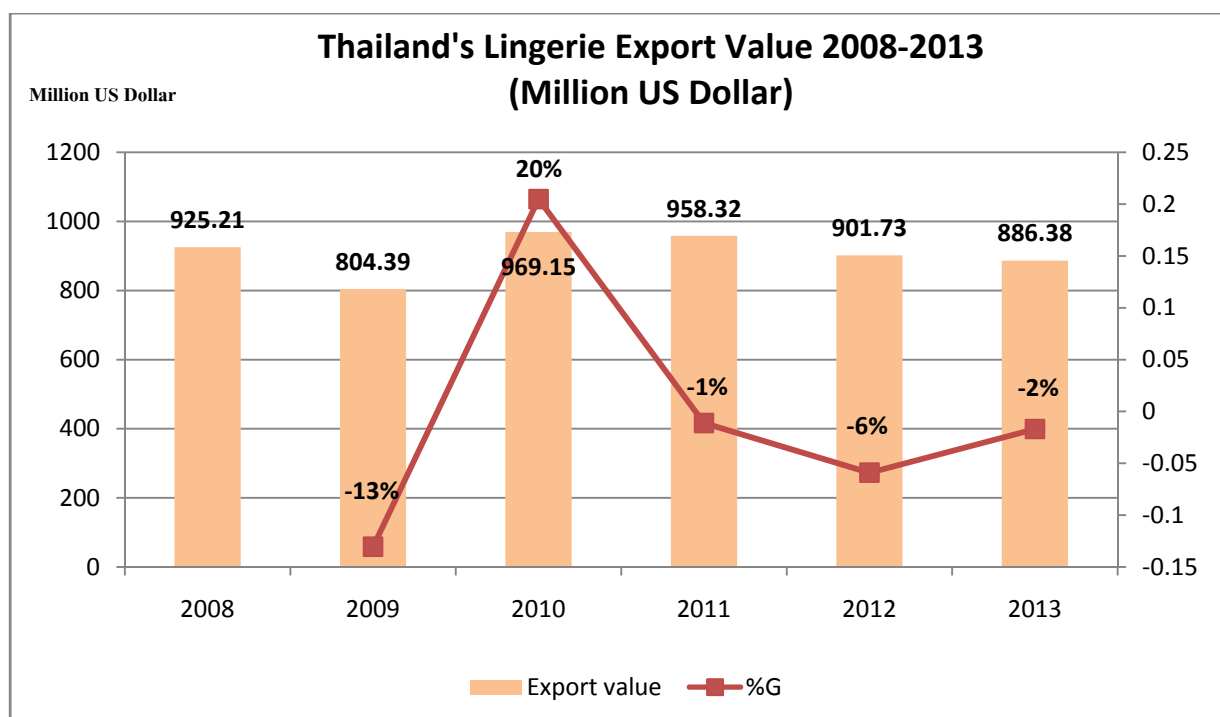
#### Competition among OEM products

In 2013, several main employer of OEM got resulted from economical crisis in Europe about public debt which cannot be solved until now. So that made most impact on hired producing which is fashion category product that has expensive price. Many clients less their hired producing of fashion product to less cost to comply with the market situation at the present which made impact in company's sales order. And they also move their order to China which has cheaper cost on wage and more support from Chinese government policy. Moreover most of the producers in China have complete system in production process of fabric industry. However, the clients moving production base to China, they could usually face the problem on quality and delay issues so they could turn back to the production base in Thailand which expected that Thai Baht seems to be depreciated to the level that able to compete with China with advantage about better quality and in-time production ability.

#### Overseas markets

#### **Values of Thailand lingerie Exports from 2008 to 2013 (Million US Dollar)**

| Year         | 2008        | 2009        | 2010        | 2011        | 2012        | 2013        |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Export value | 925,207,497 | 804,390,703 | 969,151,398 | 958,324,500 | 901,733,700 | 886,382,800 |
| Growth       | -           | -13%        | 20%         | -1%         | -6%         | -2%         |

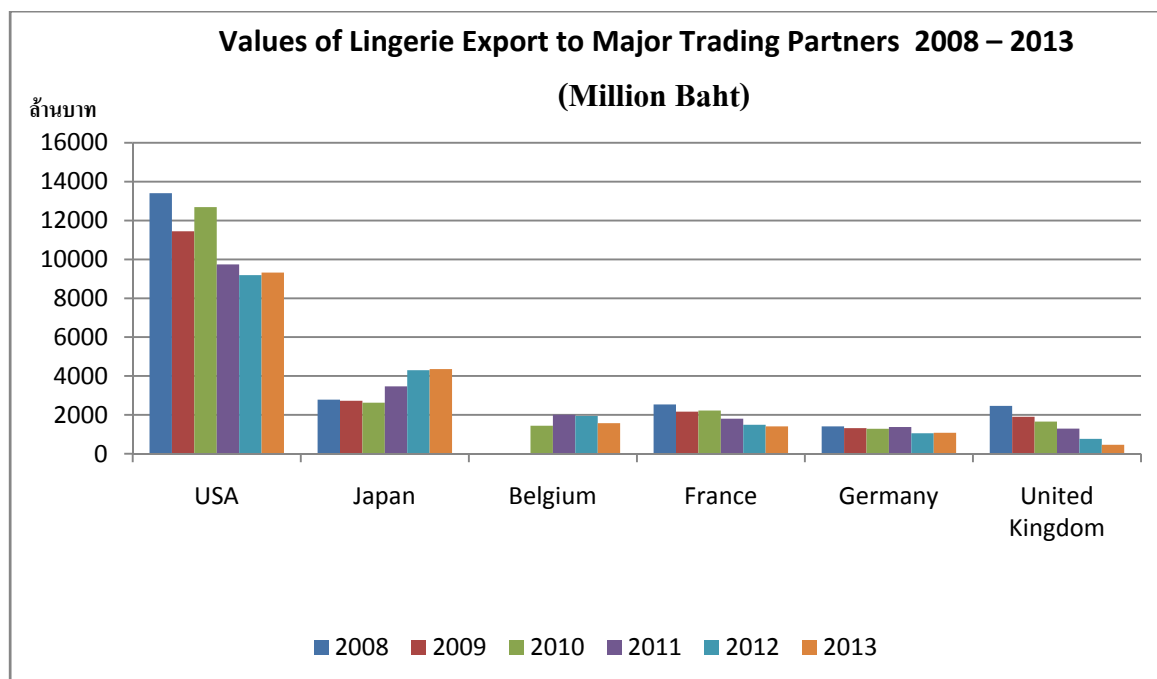


Source: Ministry of Commerce

In 2013, Thailand's lingerie export rate slightly decreased continuously about 1.6% or 886 Million US dollar from the main reason of losing competitive advantage on minimum wages but fortunately not too much due to maintaining of quality and in-time production plus the end of the year depreciation of Thai Baht that help maintaining export rate.

**Values of Lingerie Export to Major Trading Partners 2008-2013 (Million Baht)**

| Country | 2008           | 2009           | 2010           | 2011          | 2012          | 2013          |
|---------|----------------|----------------|----------------|---------------|---------------|---------------|
| USA     | 13,408,364,620 | 11,447,531,693 | 12,688,665,464 | 9,742,151,000 | 9,187,565,600 | 9,323,373,700 |
| Japan   | 2,787,405,180  | 2,725,288,069  | 2,626,220,832  | 3,468,331,100 | 4,298,502,600 | 4,358,132,900 |
| Belgium |                |                | 1,443,261,080  | 2,011,295,900 | 1,946,212,700 | 1,572,490,500 |
| France  | 2,538,202,765  | 2,161,751,655  | 2,221,734,348  | 1,801,445,500 | 1,488,950,600 | 1,408,683,200 |
| Germany | 1,404,609,920  | 1,317,373,587  | 1,282,729,892  | 1,372,338,000 | 1,056,928,500 | 1,076,996,500 |
| UK      | 2,459,145,885  | 1,904,441,185  | 1,657,195,433  | 1,296,608,700 | 762,214,400   | 460,362,100   |

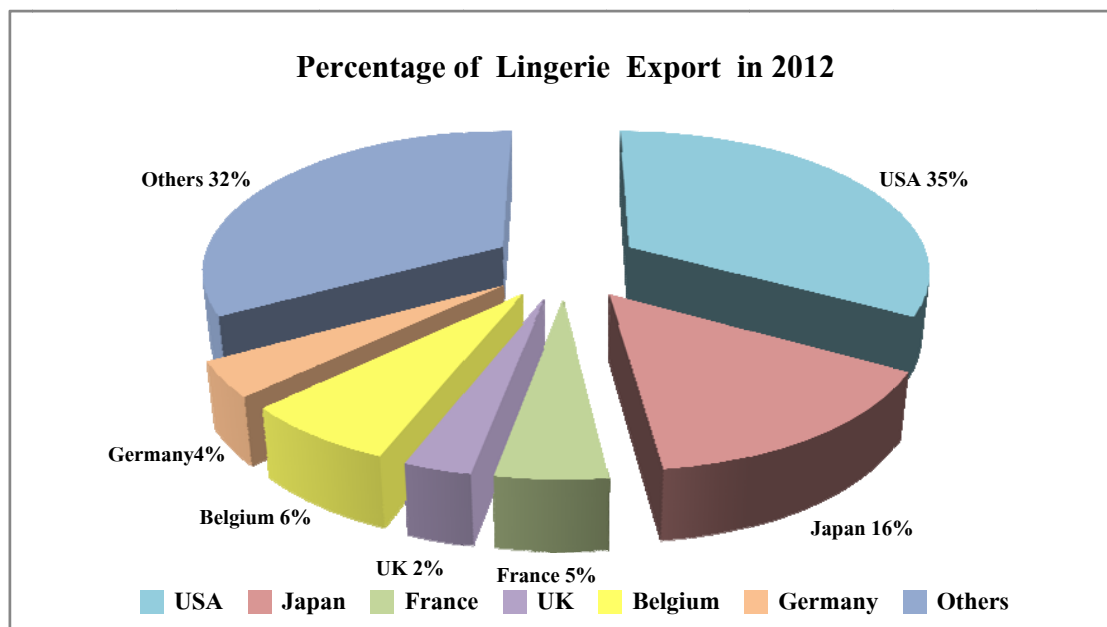


Source: Ministry of Commerce

Considered from export rate above, there are significant rates from main partner which is USA and slightly increase from Japan. Due to economic situation in USA seems to improve led to growth in export rate to USA. For Japan, their government issued Quantitative Easing (QE) as same as USA so that instigated domestic consumption rate which was the good sign for our export situation. For European countries, main clients such as Belgium, France, Germany, and United Kingdom seem no tendency of development as the export rate still low. We expected in 2014 Thai Baht tend to be more depreciated plus some moving away from Chinese production base which could slightly bring up export rate to European clients.

### Percentage of Lingerie Export in 2013

| Country        | USA | Japan | France | UK | Belgium | Germany | Others |
|----------------|-----|-------|--------|----|---------|---------|--------|
| Percentage (%) | 35  | 16    | 5      | 2  | 6       | 4       | 32     |



Source: Ministry of Commerce

#### Competitive edge

In the local and overseas free trade markets, lingerie manufacturers and distributors must constantly maintain their competitive edge over their rivals. The details are as follows:

##### 1. Product quality

We produce lingerie of high quality as compared with the products from other countries that are our major competitors. We also have the capacity for fashionable designs and skilled intensive labor production of lingerie to orders. Quality control systems are set in place for the entire production process. Quality inspection tools accepted by foreign customers have been applied in our production. Quality of all cutting and sewing processes, including packaging, has been controlled. In addition, the Company offers product design services to provide customers a full range of services. This service is our strength compared with OEM manufacturers of neighboring countries such as China. Although manufacturers in China have lower production costs, they have no expert designers and their OEM products are of inferior quality. Therefore, leading OEM product distributors in Europe, America and Scandinavia prefer ordering products from us that we have been making lingerie to their orders for a long time already.



## 2. Product design

Unlike other leading manufacturers, we design lovely lingerie for teenagers that our products are quite popular among teenagers and young women.

## 3. Skilled employees

We employed highly skilled employees for cutting and sewing lingerie with sophisticated designs. To ensure continuous supply of skilled workers, we have established study centers within our factory compound to provide ordinary and vocational education to local residents.

## 4. Factory and staff arrangements

After having achieved with the implementation of the Lean Manufacturing System with the management system improvement within the factories till receiving an award from the Thai-Nichi Institute of Technology, the KAISEN system for the management from Japan was also implemented by the Company. The Company still seeks for management tools such as QCC system or Quality Circle Control, the TPM or the Total Productive Maintenance, etc., to help with the factories' management which will lead to higher production efficiency and waste reduction.

## 5. Learning organization

We try to increase our competitive edge by becoming a learning organization because all the research and development require staff's knowledge and learning through finding new ideas and application of direct experience to new products and services to satisfy customer's demand. An organization with knowledgeable and skilled employees has competitive edge over its rivals. Therefore, by encouraging constant learning – possibly by trial and error -- knowledge exchange and technology transfer, the employees can apply such knowledge and skills to boost the value of products and services for the organization's maximum benefit.

## 6. Corporate culture (4D)

We operate with happy organization basis and we believe that if employees are happy in working with us as second home. We have both top-down and bottom-up management and used client center method. If employees do what they believe, happiness will be the final result. So it comes out as our corporate culture 4D

- Kid-Dee (good thinking) everyone should think positively
- Pood-Dee (good speaking) everyone should use good wording no comparison
- Tham-Dee (good doing) everyone should learn to be giver and did not get advantage on others.
- Khon-Dee (good human being) if we have all above 3 D, you will have Khon-Dee

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**Pricing Policy**

It is our policy that pricing is done in two ways: one for our subsidiary's brandname products and the other for OEM products made to orders. The factors to be taken into account for pricing are product description, quantity and market value.

Our subsidiary's brandname products are priced according to the target group by adding the market value to them while making sure that the prices are quite near to those of our competitors. Our prices are currently ranked at medium level as compared with those of similar products in the market. We do not intend to undercut our competitors. However, we might offer discounts during advertising campaigns at certain outlets as we deem appropriate.

Our OEM products are priced for the medium and upper market. It is our policy to price our products in such way that we make profit out of production cost, taking into account the risks of foreign exchange rate fluctuation, production costs and margins, designs and size of purchase order.

**Production policy**

The production volume depends on various factors such as expected market competition, new product launching season, production capacity of each factory and the policies adopted by the management, subject mainly to customer's requirements. The finished products are classified by production into 2 groups i.e. repeated production (basic products) or new lot of production (fashion products). Basic products are common and popular products with classic designs and no pattern. The Company always maintains the supply level so that we are able to forecast production levels and set product plans efficiently, resulting in higher productivity. Fashion products will have new designs and will not be reproduced. Production of new lots is a more difficult task, but it generates higher incomes from sale with greater margins.

We plan ahead every year for the distribution of our subsidiary's brandname products to ensure production control efficiency. Such plan tells us the production quantity and description for each month that will ensure timely sale. The production plan is flexible, depending on the orders throughout the year. The production planners shall allocate production tasks to all the factories, taking into account the lead time, product specifications, machine capacity and skills of workers in each factory to ensure maximum production efficiency and capacity.

We produce OEM lingerie to customer's orders only--no advance production. The customer must give us sufficient lead time to avoid delay in production and deliver. We allocate the orders to our factories according to their production capacity, lead time, product specifications, taking into account also the production of our own brandname products which is pending. The order which is too large for our capacity will be rejected to avoid losses and damages to our customer and ourselves.

We also attach importance to the development of labor skills which are essential to production of garments, especially those with sophisticated designs and specifications. We constantly improve workers' skills and conduct stringent inspection at every production process. We encourage our workers to turn out quality products all the time. We offer training to our workers regularly, taking into account the new products intended for sale and the need for production skill improvement.

## **Risk Factors**

### ● **Impact of ASEAN ECONOMIC COMMUNITY (AEC) on Lady's Lingerie Markets**

In January 1992, Thailand jointly established the free trade area named ASEAN FREE TRADE AREA (AFTA). Now, AFTA has ten members, namely Thailand, Malaysia, Singapore, Philippines, Indonesia, Brunei, Vietnam, Laos, Myanmar and Cambodia. Presently, AFTA has been transformed to ASEAN Economic Community (AEC). Its primary goals are to promote free trade of ASEAN's products, services, investments capitals and skilled labors without any trade barrier, except tariff. Accordingly, tariff rates will reduce to zero within January 1, 2015. The aforementioned collaboration will have both positive and negative to the Company's business as follows

**Labor** With the aforementioned agreements, labors are able to move freely around ASEAN countries in the future so a number of skilled labors will move to work in Thailand which helps short of labor problem. However, there is difficulty in control foreign labor due to different in governing and different communication language and need a lot to improve in skill.

**Lady's Lingerie Markets** The free trade zone will allows foreign brands having manufacturing bases in the ASEAN countries to freely sell their products in Thailand which make more intense competition in Lady's lingerie market in the future due to lower cost of manufacturing and also in 2014 expected that lingerie market will be more intense competition in every level because supply will more than demand significantly. Different department stores are now seeking new brands from overseas in underwear section to make the difference which make it fiercer in the market competition.

However, we can still maintain competitive edge because the brandname Sabina has already established firmly in Thailand for 40 years; we have many outlets in many department and discount stores, and our product unique designs and high quality have been widely recognized by local consumers.

In fact, we can benefit from the AEC by exporting our Sabina lingerie to ASEAN countries freely and enjoy the 0% tariff. Moreover, the 0% tariff also allows us to import cheap raw materials from ASEAN countries.

Therefore, the AEC has both merits and demerits, depending on whether or not we can turn the situation to our advantage.

### ● **Currency Exchange**

From economic recovery in USA and better condition in US stock market to the new high that decreased unemployment rate which made USA dropped their using economic instigate tools which was Quantitative Easing (QE). So, it made the capital money reversed back to USA influenced Thai Baht depreciated against US Dollar from 30 Baht for 1 US Dollar back to 32-33 Baht for 1 US Dollar. This impacted the company in 2 aspects which were the export can make profit from currency exchange, but trade partners also realized this issue by using it to negotiate when purchasing so that could not benefit the company much as well. Meanwhile, the company has to import raw material from other countries so when Thai Baht got weak, the cost of raw material went up higher too.

However, the company has management policy about risk in currency fluctuation as follows.

- Trading raw material and products with different currency.

- Due to the company has to import raw material, the company also has a prevention of Natural Hedge for example maintained import raw material value about 51.51% of total revenue from OEM international sales in 2012 and 55.15% in 2013.
  - Making “Forward Contract” with financial institution during the money currency fluctuated period.
- **Domestic Consumption**

Thailand’s Gross domestic Products rate in 2013 was 2.9% which lower than expectation about 4-5%. First quarter there were moderately high GDP growth based on figures from Office of the National Economic and Social Development Board about 4.2% but in quarter 2, 3, and 4 GDP considerably dropped as about 2.8%, 2.7%, and 0.6% consequently which impacted the overall growth to drop much lower than the target at first. So, the problems are concluded as below.

1. Increasing of people income cannot cover the increasing cost of living which less consumption rate. From 300 Baht minimum daily wage policy and Rice mortgage scheme resulted to more income for Thai people but in the same time cost of living especially food and other basic necessities also went high upper than increasing income rate. At first, consumers did not realize that impact until they knew that their income increased less than the ratio of increased cost of living. So they had to be more careful on every spending which made the less consumption rate consequently.
2. People had less ability to make loans which also stopped the consumption ability. From government populism campaign either “1<sup>st</sup> Home” or “1<sup>st</sup> Car” made people owned more debts plus cost of living went higher which less credit for people to loan money because they had ratio of expense more than income. In 2013, Thai citizens had household debt higher at about 12% (from The Center for Economic and Business Forecasting, The University of the Thai Chamber of Commerce) which influenced people to be more in spending and focus on saving money.
3. Unstable political situation in Q4 impacted every economic aspect as follows.

**Domestic lingerie consumption dropped significantly.** Due to customers concentrated on political news and updates and seemed not in the mood to go shopping but only just for necessary. Moreover, tourists would not come to travel and shopping in Thailand due to lack of reliability in safety influenced domestic consumption to drop apparently.

**Investment** Unstable political situation decreased reliability and confident of other countries to invest in which manufacturing, market, capital, and etc., when amount of money in economic system impacted consumption to decrease as well.

**Government sector expenses** From the political crisis, government tried to solve the problem by dissolving the parliament resulted in stopping government budget which impacted to many government projects to be paused as well. While the budget was restricted, money which government usually uses to instigate economic had to pause. Consumption rate also paused as same as economic status too.

**Import and export** From investment slow down both domestic and international level made the decrease in import capital product for investment. Also no growth in export for last year due to globally economic crisis impacted national revenue as well and impacted domestic consumption consequently.

In conclusion of 2013, domestic consumption growth much less than expected and 2014 many countries expected GDP to grow about 4-5% from recovery in global economic but if domestic political situation still extent longer without ending, GDP could be much less than expected.

- **Risk in taking order from foreign clients which have their owned brands (OEM)**

The company and subsidiaries have big clients as the leading lingerie distributors overseas mainly in Europe which hire our company and subsidiaries to design and manufacture under their brands (OEM). However the company tried to lower cost of manufacturing to help in competition but economic situation globally were not recover especially in Europe. It expected that 2013 in Europe would growth just about 0.4% and 2014 would grow less than about 1%. This reflected no significant recovery of European economic. At the same time, there are many manufacturers which cheaper cost such as in China, Indonesia, India, Sri Lanka, etc. will join in the competition intensively. Because supplies are a lot more than demands, even there are economic recoveries in several places but there are still difficult to take sale order from international.

- **Lack of skilled labors**

From 300 Baht minimum daily wage policy expected to make better living of labors and more people entered to labor market including from countryside. The problem is labor would not prefer to be in fabric and garment industry due to it require high skill and using a lot of eye-sight. So, current workers in this industry moved to other industries which are simpler working characteristic. At the same time, new workers which had better living and higher education prefer to work in industrial factories. From these reasons, labors in sewing industry tend to decrease continuously which could bring to lack of labor in this industry in the future.

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**General Information**

|                      |                                                                                                                             |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Name:                | : Sabina Public Company Limited                                                                                             |
| Nature of Business   | : Manufacture and sale of ladies lingerie                                                                                   |
| Head Office          | : 177, Village No. 8, Wang Kai Tuen Sub-District,<br>Han Ka District, Chainat Province                                      |
| Registration No.     | : 0107550000068                                                                                                             |
| Home Page            | : <a href="http://www.sabina.co.th">www.sabina.co.th</a>                                                                    |
| Telephone            | : 056-437156-8, 02-4229400                                                                                                  |
| Fax                  | : 056-437159, 02-4345911                                                                                                    |
| - First Branch       | : 12 Arun Amarin Road, Arun Amarin Sub-District ,<br>Bangkok Noi District, Bangkok 107000                                   |
| Telephone            | : 02-4229400                                                                                                                |
| Fax                  | : 02-4345911                                                                                                                |
| - Second Branch      | : 30/5 Village No. 12 Phutmonthon V, Rai King Sub-District,<br>Samphran District, Nakhonpathom Province                     |
| Telephone            | : 02-8118220-31                                                                                                             |
| Fax                  | : 02-8118081                                                                                                                |
| - Third Branch       | : 236 Village No. 10, Du Thung Sub-District, Muang District,<br>Yasothon Province                                           |
| Telephone            | : 045-737351-3                                                                                                              |
| Fax                  | : 045-737356                                                                                                                |
| - Fourth Branch      | : 81, 106 Moo 6, Nong Bot Sub District, Nangrong District, Buriram<br>Province                                              |
| Telephone            | : 044-657107, 044-657210                                                                                                    |
| Fax                  | : 044-657207                                                                                                                |
| Investor Relations   | : <a href="mailto:ir@sabina.co.th">ir@sabina.co.th</a> , <a href="mailto:amornthep@sabina.co.th">amornthep@sabina.co.th</a> |
| Registered Capital   | : 347,500,000 baht                                                                                                          |
| Paid Up Capital      | : 347,500,000 baht                                                                                                          |
| Ordinary Shares      | : 347,500,000 Shares                                                                                                        |
| Par Value            | : 1 baht                                                                                                                    |
| Securities Registrar | : The Thailand Securities Depository Co., Ltd. (TSD)                                                                        |
| Address              | : 62 The Stock Exchange of Thailand Building, Rachadapisek Road,<br>Khlom Toei District, Bangkok 10110                      |
| Telephone            | : 02-229-2800                                                                                                               |
| Fax                  | : 02-654-5599                                                                                                               |
| Auditor              | : Professor Kesree Narongdej or Mrs. Natsarak Sarojpanjin or                                                                |

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491/27 Silom Plaza, Silom Road, Bang Rak, Bangkok 10500

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Fax : 02-2372133

**For more information** Investors can find additional information about issued asset of the companies from List of  
Annual Report (56-1) from the website [www.sec.or.th](http://www.sec.or.th) or [www.sabina.co.th](http://www.sabina.co.th)

## **Shareholding Structure and Management**

### **Capital Structure and Shareholder**

In present, The Company has registered capital stocks at 347.5 Million Baht paid by it is 347.5 ordinary per share at 1 Baht price.

### **Shareholders**

First 10 major shareholders as at August 30, 2013

| Shareholders                    |                    |                |
|---------------------------------|--------------------|----------------|
|                                 | Number of Shares   | Percentage (%) |
| 1.Mr. Viroj Thanalongkorn       | 259,207,000        | 74.59          |
| 2. Mrs. Vane Tongluck           | 14,001,000         | 4.03           |
| 3. Mr. Anurak Tangkaravakul     | 12,803,800         | 3.68           |
| 4. Miss Rachnee Nivatchaibandis | 10,501,000         | 3.02           |
| 5. Mr. Soros Iamamornpan        | 10,501,000         | 3.02           |
| 6. Mr. Chaikorn Siriratasadong  | 9,369,500          | 2.70           |
| 7. Mr. Nontavat Prasertvanij    | 8,693,500          | 2.50           |
| 8. Mr. Prutipong Choktaviprom   | 8,565,900          | 2.47           |
| 9. Mr. Surachai Jiamsaman       | 6,376,900          | 1.84           |
| 10. General public              | 7,480,400          | 2.15           |
| <b>Total</b>                    | <b>347,500,000</b> | <b>100.00</b>  |



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### **Dividend Payment Policy**

The company has dividend payment policy not lower 40% of net profit after deducts tax and reserve according to the law. However, that dividend payment will depend on investment plan, necessity, and appropriateness in the future.

For subsidiaries, the committee will consider dividend payment from cash flow balance when compare with that subsidiaries' investment budget. If cash flow balance has enough and reserve according to the law, the committee will consider dividend payment case by case.

## **Management structure**

The management structure comprises of 3 Boards, namely, the Board of Directors, the Audit Committee and the Executive Committee:

### **Board of Directors**

As at February 26, 2014, there are 10 Directors on the Board.

| Name                        | Title                                    | Board Meeting            |                       |
|-----------------------------|------------------------------------------|--------------------------|-----------------------|
|                             |                                          | Total Meeting<br>(times) | Attendance<br>(times) |
| Mr. Viroj Thanalongkorn     | Chairman                                 | 4                        | 4                     |
| Mr. Bunchai Punturaumporn * | Director                                 | 4                        | 4                     |
| Mrs. Suchanya Thanalongkorn | Director                                 | 4                        | 4                     |
| Mr. Apisit Jongkittipong *  | Director                                 | 4                        | 4                     |
| Miss Somsri Sripatoomrak *  | Director                                 | 4                        | 3                     |
| Mr. Amornthep Asepunya *    | Director                                 | 4                        | 3                     |
| Miss Vachirawan Yamsri      | Director                                 | 4                        | 4                     |
| Miss Rawewan Peyayopanakul  | Director and Chairman of Audit Committee | 4                        | 4                     |
| Mr. Somchai Vanavit         | Director and Member of Audit Committee   | 4                        | 4                     |
| Mr. Yuthana Adipath         | Director and Member of Audit Committee   | 4                        | 4                     |

\* Are the Directors of the subsidiary

Remarks Miss Somsri Sripatoomrak did not attend 4/2556 committee meeting as she visited stores in other province.

Mr. Amornthep Asepunya did not attend 3/2556 committee meeting as he contacted client aboard.

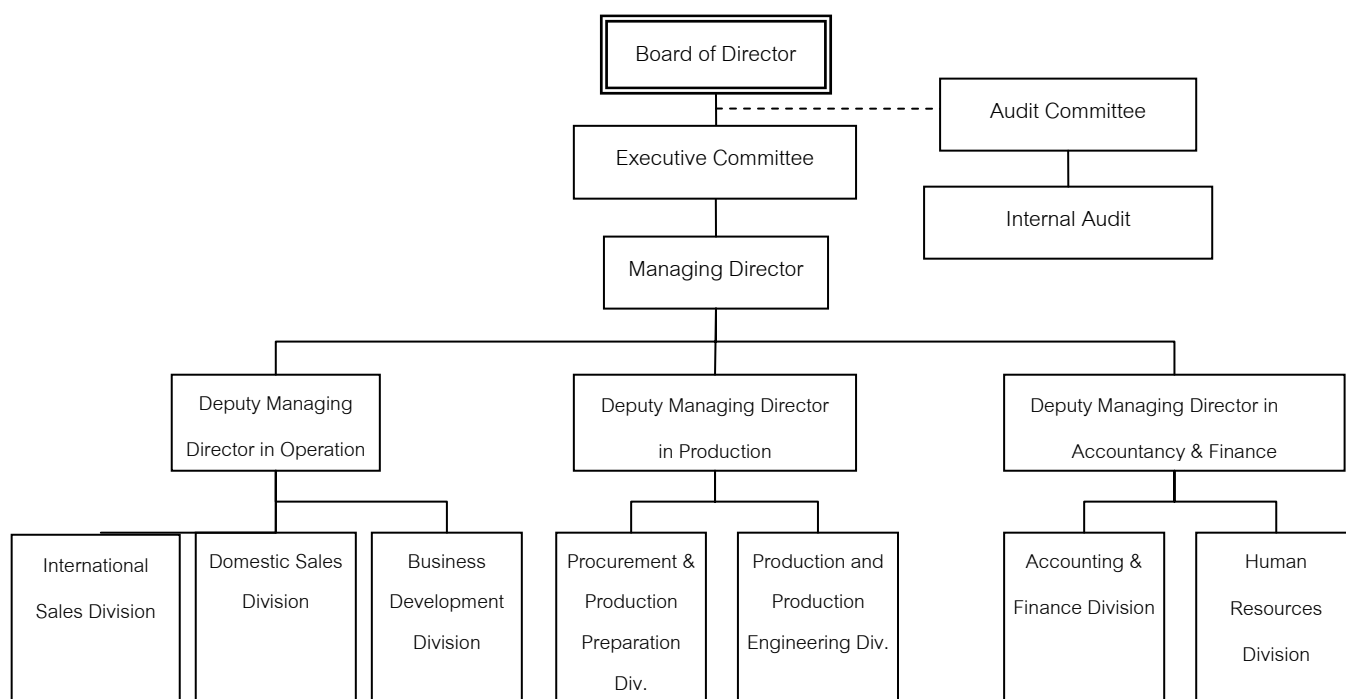
### **Authorized Directors as per Certificate of Company Registration**

On May 3, 2007, the Extraordinary Meeting of Shareholders No.4/50 passed the following resolution: Out of the 5 Directors, namely Mr. Viroj Thanalongkorn, Mr. Bunchai Punturaumporn, Mr. Apisit Jongkittipong, Mr. Amornthep Asepunya and Miss Somsri Sripatoomrak, any two of them may jointly sign their names and affix the corporate seal to legally bind the Company.

## Executives

The Company's executives comprise 5 members, whose names are listed in the table below:

| Name                      | Title                                                                                                                                                                                                   |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. Bunchai Punturaumporn | Managing Director<br>Deputy Managing Director for Operations (Acting)<br>Deputy Managing Director for Production (Acting)<br>Director of Overseas Sales (Acting)<br>Director of Human Resource (Acting) |
| Mr. Apisit Jongkittipong  | Deputy Managing Director for Finance and Accounting (Acting)<br>Director of Finance and Accounting (Acting)                                                                                             |
| Mr. Amornthep Asepunya    | Director of strategic and Business Development                                                                                                                                                          |
| Miss Somsri Sripatoomrak  | Director of Domestic Sales<br>Director of Purchase and Production Preparation (Acting)                                                                                                                  |
| Ms.Vachiravan Yamsri*     | Director of Production and Production Engineering                                                                                                                                                       |



**Organization Chart on December 31, 2013**

### **Company Secretary**

On November 13, 2013, the Board Meeting resolved in favor of appointing Miss Vaja Mukto as the Company Secretary instead of Miss Nuanchan Hansakulbunterng who resigned due to retirement, to be responsible for the following matters for and on behalf of the Board of Directors or the Company:

1. Prepare and maintain the following documents:
  - (a) Directors Register
  - (b) Invitations to Board Meetings, Minutes of Board Meetings and Annual Reports
  - (c) Invitations to Shareholders Meetings and minutes of such meetings
2. Maintain records of interested parties reported by the Directors or the executives.
3. Perform other acts as required by the regulations of the Securities and Exchange Commission.

In addition, the Secretary shall be responsible for activities of the Board of Directors and ensuring the compliance by the Board of Directors with applicable laws and regulations.

**The qualifications of Company Secretary included in Attached Document 1**

## Remuneration for Directors and Executives

### Financial Reward

In 2013, the Directors and Executives were remunerated as follows:

| Name                         | 2012                                            |                          |
|------------------------------|-------------------------------------------------|--------------------------|
|                              | Description of payment                          | Amount<br>(Million Baht) |
| Director (as Director)       |                                                 |                          |
| - Mr. Viroj Thanalongkorn    | - Remuneration to Chairman                      | 0.36                     |
|                              | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.40                     |
| - Mr. Bunchai Punturaumporn  | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.24                     |
| -Mrs.Suchanya Thanalongkorn  | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.18                     |
| - Mr. Apisit Jongkittipong   | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.18                     |
| - Miss Somsri Sripatoomrak   | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.18                     |
| - Mr. Amornthep Asepunya     | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.18                     |
| -Miss Vachirawan Yamsri      | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.18                     |
| - Miss Rawewan Peyayopanakul | - Remuneration to Chairman of Audit Committee   | 0.06                     |
|                              | - Remuneration to Audit Committee               | 0.06                     |
|                              | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.12                     |
| - Mr. Somchai Vanavit        | - Remuneration to Audit Committee               | 0.06                     |
|                              | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.12                     |
| - Mr. Yuthana Adipath        | - Remuneration to Audit Committee               | 0.06                     |
|                              | - Remuneration to Director                      | 0.12                     |
|                              | - Reward to Director                            | 0.12                     |
| Directors & Executive        | - Salary, position allowance and fuel allowance | 34.82                    |
| (as Executive)               | - Remuneration to Director                      | 0.36                     |

In 2013, the Company's stipulation of the remuneration is equivalent to 2012 of which the basic remuneration of all Directors is equally the same with an extra payment of additional responsibilities with the followings details.

| Title                           | Remuneration (Baht/ Month) |
|---------------------------------|----------------------------|
| Director                        | 10,000                     |
| Chairman of Board of Directors  | 30,000                     |
| Chairman of Executive Committee | 5,000                      |
| Chairman of Audit Committee     | 5,000                      |
| Executive Director              | 5,000                      |
| Member of Audit Committee       | 5,000                      |

The Directors' bonus is not over Baht 3 million per year with the quarterly payment and the Directors have the authority to allocate and stipulate the shares among themselves.

**Other Fringe Benefits for Directors and Executives**

- Six vehicles are provided for use by the Executives in the Company business.
- Provident fund is provided for employees who are the fund members. Contributions by employees and the Company are at the following rates:
  - Department Manager and Director Salary scale 3, 4 or 5%
  - Deputy Managing Director and Director Salary scale 3, 4, 5 or 6% based on the income before tax of each month

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## **Corporate Governance**

The Board of Directors understands their roles, duties and responsibilities to the Company and shareholders. They have adopted a Code of Best Practices for the Directors of registered companies according to the guidelines as set forth by the Securities Exchange of Thailand. This is to ensure effective management and accurate performance assessment, which will promote growth through the following corporate governance:

### **1. Corporate Governance Policy**

The Board of Directors realize the importance of good corporate governance as set forth in the notifications of the Securities Exchange of Thailand. To ensure the Company stability and continuous growth, increase the confidence of shareholders and all interested parties and create additional value to the business in the long run, the Board of Directors have set forth the corporate governance as follows:

1. The scope of powers, duties and responsibilities of the Board of Directors and the Executives is clearly defined according to the Company management structure.
2. The business shall be operated with all the information correctly and transparently disclosed to reflect the true and fair view of the Company's performance and financial status. There shall be proper assessment and measures against risks.
3. There shall be checks and balances among all departments and sections to allow audit and ensure transparency.
4. Excellent quality products shall be turned out to meet the demand in the markets and for the satisfaction of customers. Customers' views or complaints are welcome for product development and improvement.
5. Through training, the Company install moral virtue in employees that they will grow with the Company.
6. The ownership rights of each and every shareholder are equally well aware of and respected.
7. In the operation of our business, the Company bears in mind our responsibility to shareholders, interested parties, the society and the environment.

### **2. Shareholders' Equal Rights**

The Company respects the ownership rights of each and every shareholder and treats them equally.

Each and every shareholder shall equally enjoy the following rights:

1. The right to receive information on the Company's operation and management policies regularly and in good time via the Securities Exchange of Thailand and the Company's website at [www.sabina.co.th](http://www.sabina.co.th).
2. The right to propose the items on the agenda for the Ordinary Meeting of Shareholders and to nominate any persons for the appointment of Directors. Such proposals are published on the Company's website at [www.sabina.co.th](http://www.sabina.co.th) and at the Securities Exchange of Thailand.
3. The right to submit inquiries for the shareholders' AGM's proposed agendas in advance to the Corporate Secretary via email at [vaja@sabina.co.th](mailto:vaja@sabina.co.th) or fax. at 02-4345911, and the said right is posted on the Company's website at [www.sabina.co.th](http://www.sabina.co.th)

4. The right to attend the Meeting of Shareholders, which will be held once a year. We will send invitation to each shareholder with relevant and sufficient information for perusal prior to the meeting.

5. The invitation to meeting, items on the agenda, proxy form, minutes of the meetings and other relevant information are also available at [www.sabina.co.th](http://www.sabina.co.th). Shareholders may find out all the details and download necessary from the Company's website before attending the meeting.

6. A shareholder who cannot attend the meeting personally may appoint an Independent Director or any another person as a proxy to attend and vote at the meeting for and on his behalf.

7. The Company makes things convenient to all shareholders by explaining the method of counting votes for each item on the agenda according to the Articles of Association. All shareholders are welcome to raise any questions or make any suggestions on any item on the agenda and the result obtained from vote counting.

8. The minutes of each meeting is published on the Company's website. There is no need to wait until the next meeting.

### **3. Rights of Interested Persons**

The Company respects the rights of interested persons in different groups, whether they are from inside or outside. We have set guidelines in our Code of Best Practices to ensure fairness, transparency and protection of legal rights of all interested persons.

#### Shareholders

Through our knowledge, ability and integrity, we intend to make our business grow steadily for the long-term benefit of shareholders and the protection of our properties and interests. We regularly present correct and complete performance reports so that shareholders are kept abreast of all the latest developments. We pay dividend regularly and avoid any conflict of interests.

#### Customers

We intend to establish brand loyalty and ensure customer's satisfaction. Through innovation, we constantly add value to our products and services to meet the requirements of customers of all age groups. We have many salesclerks in leading shops and department stores nationwide; they are happy to send customers' feedback and complaints to us, and we always treat all customers' complaints fairly.

#### Employees

Employees are valuable resources and the key to the success of the organization. We provide training to our employees to improve their knowledge and ability so that they will make achievements in their career. We offer our employees the opportunity for advancement on the basis of their potential. We also allow our employees to set directions for the Company's operation and growth. We pay our employee fair salaries – commensurate with their knowledge, abilities, responsibilities, performance, the way they maintain good working conditions, safety to lives and properties. We take care of our employees in respect of safety and provide them with staff welfare such as;

- First Aid Room
- Annual medical checkup
- Special price product to relieve employee cost of living



- Uniforms
- Provident Fund
- Emergency loan for employee in low rate interest
- Training and conference both on-site and off-site for employee development
- Sending employee to inspect domestic and aboard

#### Trading Partners and/ or Creditors

We strictly comply with the terms and conditions of the contracts with our trading partners and/or creditors. We do not demand or accept any property or interest dishonestly. We only create good relations and mutual understanding while exchanging knowledge in joint effort to develop value added products and services.

#### Society and Environment

In the operation of our business, we avoid the impact on the environment and the dissipation of natural resources. We constantly instill in our employees the sense of responsibility for the community and society. We sponsor activities that are useful to the community and society. We do not support illegal acts or the acts that are the threats to society or cause losses and damages to the country or undermine national security.

#### Competitors

We compete fairly according to the rules. We do not engage in any industrial espionage or compete with other firms by improper or illegal means.

### **4. Whistle blowing**

The stakeholders can file complaints, or inform of any misbehavior of the Company's officers by submitting a letter or an email to the Investor Relations Department or the Internal Audit Department at 12 Arun-amarin Rd., Arun-amarin, Bangkoknoi, Bangkok 10700, or E-mail address [amornthep@sabina.co.th](mailto:amornthep@sabina.co.th), or [sampham\\_p@sabina.co.th](mailto:sampham_p@sabina.co.th) when the Company examines the information and finds it is well-grounded, the Company will perform its amendment and disciplinary punishment

In addition, the Company has provided a channel for stakeholders' complaints of any illegal action or wrong doing against the ethics of the senior executives, or inaccurate financial report to the Audit Committee in order to indicate the fairness and transparency through the Corporate Secretary and the Audit Committee via the above address or at [sampham\\_p@sabina.co.th](mailto:sampham_p@sabina.co.th)

The Company will only accept the complaints or suggestion from the stakeholders with name, address, telephone number, fax., or email address (if any), and relationship with the Company. The complaints on general operation will be stored as confidential to the Chairman of the Executive Board and/ or the Internal Audit Department. The complaints on any wrong doing of the senior executives will be recorded by the Secretary to the Audit Committee to directly report to the Audit Committee.

### **5. Meeting of Shareholders**

The Board of Directors attaches importance to the Meeting of Shareholders. The Company holds a Meeting of Shareholders once a year. The Directors who are not engaged in other important business should attend every Meeting of Shareholders. We send invitation to attend meeting, items on the agenda, proxy form and other relevant information to

shareholders at least 7 days before the meeting so that they can prepare themselves to vote. Any shareholder may appoint an Independent Director or any other person as his proxy to attend the meeting and vote for and on his behalf.

## **6. Leadership and Vision**

Through their knowledge, ability, great sense of responsibility and proper management, the Board of Directors endeavor to operate the Company business and attain all the objectives to ensure stability and growth while complying with the applicable laws, rules and regulations, for the maximum benefit of the Company, shareholders and interested persons.

The Executive Committee shall propose the visions, tasks, strategies, policies and budget allocation to the Board of Directors for approval, which will in turn be used in the control, follow-up and assessment of the performance to ensure attainment of the targets, and the same can be used as guidelines on increasing the value and wealth of the Company for the benefit of shareholders and all interested parties.

To ensure attainment of objectives with the powers and responsibilities, the Directors undergo training in business management and present summary report on the operation and performance. New Directors shall study the Company's policies, Articles of Association and Code of Best Practices of registered company as guidelines on duty performance during their office term.

## **7. Conflict of Interests**

We comply with the regulations of the Securities and Exchange Commission and the Securities Exchange of Thailand. The Board of Directors follows clear guidelines on how to deal with conflict of interests carefully and reasonably.

Before making any transactions that involve conflict of interests, we will disclose to the Meeting of Shareholders the values of transactions, the names of the parties under the contracts and the reasons that make such transactions necessary. The disclosure shall be transparent and its validity can be proved.

If any transaction shall receive the approval from the Board of Directors, and/or the shareholders' meeting, the transaction must receive the consideration of screening from the Audit Committee which will provide the opinion toward the transaction.

When the Board of Directors provides different opinion from the opinion of the Audit Committee, the Company shall disclose the said different opinions. In addition, when a Director has a conflict of interest in any agenda, the Director shall be abstained from voting right of the agenda which follows the regulations of the Stock Exchange of Thailand.

Moreover, the Company has stipulated the principles for the Company's Directors, Executives, and related persons to report their conflicts of interest or related persons' conflicts of interest concerning the management of the Company and its subsidiaries. The report shall be included in the meeting agenda of the quarterly meetings of the Board of Directors as stipulated by the regulation of the connected transaction.

It is our policy to prevent our executives and employees from finding out the information on our securities trading before disclosure of our financial statements to the public. The exploitation of inside information for personal gains before public disclosure constitutes a breach of discipline. The Director or Executive who trade the Company's securities must always inform the Company, the Securities Exchange of Thailand and the Securities Exchange Commission of the facts.

All of our Directors and Executives and their lawful family members are required to submit reports on securities possession.

## **8. Business Ethics**

We operate our business with integrity, transparency and fairness according to the law to increase confidence of shareholders, customers, partners, competitors, employees and the society as a whole. We prohibit the use or disclosure of confidential information for personal gains or any acts that will cause conflict of interests.

We issue our Directors and employees with business ethics manuals and code of conduct in writing that are supposed to be acknowledged and complied with.

The Company has disseminated the business ethic manual on the Company's website under the subject of "Business Ethics."

## **9. Checks and Balances among Directors**

As at December 31, 2013, there are 5 Directors on the Board. There are 3 Independent Directors, who are the members of the Audit Committee. These persons have the qualifications according to the definition of "Independent Directors" as set forth by the Securities and Exchange Commission and the Securities Exchange of Thailand.

At each Annual Ordinary Meeting of Shareholders, one third of Directors shall end their office term; if the number is invisible by three, the nearest number shall apply. The Directors whose office term ended by virtue thereof may be reappointed.

## **10. Merging or Separation of Titles**

The powers and duties of Directors and Executives in respect of approvals and transactions are clearly defined according to the types of works, e.g. production, finance & accounts, human resources, local and international sales, etc., in the regulations on Approvals and Operations No. 1/2006, dated September 1, 2006.

Because the Chairman of the Board of Directors and the Managing Directors has different roles and duties, one person cannot hold the two offices. The separation of duties and responsibilities creates checks and balances of powers. Besides, every Director is free to make comments on the Company operation to ensure that the management performs their duties efficiently and transparently that it can be audited.

## **11. Remunerations to Directors and Executives**

Our Directors are remunerated on a transparent basis as compared with those in other companies within the same industry. This policy is adopted to keep the Directors with knowledge and ability. The remuneration to Directors is proposed to the Meeting of Shareholders for approval every year.

The remuneration to Executives complies with the principle and policy adopted by the Board of Directors, subject to the Company performance and the achievements of each Executive. The remuneration to Directors and Executives is disclosed in the Management Structure, under the Heading "Remuneration of Directors and Executives."

## **12. Board Meeting**

A Board Meeting will be held at least once a quarter. There may be extraordinary meetings as necessary. The items on the agenda and other relevant information will be sent to the Directors before the meeting so that they can read and understand all the details before attending the meeting.

At the Meeting, the Chairman will allow all Directors to express their views freely and openly. The Executives concerned will be invited to attend the Meeting to offer explanation or additional information on the issues being discussed to

assist the Board of Directors in decision making. The minutes of the Meeting are taken by the Secretary and endorsed by the Board of Directors before they are kept as records that can be examined and used as reference at any time.

### 13. Holding the position of Directors in other companies of Directors and Senior Executives

For the Directors' dedication and effort to their performance, the Board of Directors has stipulated the amount of companies where each Director holds a position as follows:

1. A Director shall not hold the Director position more than 5 listed companies but this is not applied to the holding Director position in unlisted companies;
2. When one of the Company's Directors has to be in the Director position of more than 5 listed companies, the Director shall inform the shareholders and related persons of reasons and affects on the Director's duty in the Annual Registration Statement (Form 56-1) and the Annual Report (Form 56-2.)

### 14. Ongoing Learning and Development of Board of Directors

The Board of Directors has set in place a policy to enhance the Directors' development. Each Director has been trained to develop his/ her knowledge related to his/ her positions, as follows.

| Name                        | Training                          |
|-----------------------------|-----------------------------------|
| Mr. Viroj Thanalongkorn     | DAP 64/2007                       |
| Mr. Bunchai Punturaumporn   | DAP 63/2007 , EDP 5/2010 , CMA 14 |
| Mrs. Suchanya Thanalongkorn | Kpi. 10, CMA 8, TEPcoT 4, NDP. 6  |
|                             | NDC. 2012,DAP105/2013             |
| Mr. Apisit Jongkittipong    | DAP 50/2006 , EDP 9               |
| Miss Somsri Sripatoomrak    | DAP 63/2007 , EDP 8               |
| Mr. Amorntep Asepunya       | DAP 63/2007 , EDP 6               |
| Miss Vachirawan Yamsri      | DAP 99/2012 , EDP 10              |
| Miss Rawewan Peyayopanakul  | DAP 2003 , ACP 2005               |
| Mr. Somchai Vanavit         | DAP 8/2004 , DCP 49/2004          |
| Mr. Yuthana Adipath         | DAP 63/2007                       |

### 15. Internal Control and Audit

The Board of Directors attach importance to internal control; therefore, they have adopted the internal control system that covers management, finances and operation to ensure efficiency, subject to the law and regulations on independence that audit can be conducted because there are checks and balances. The internal control system shall be improved constantly.

The Internal Audit Office is required to report the audit results directly to the Board of Directors every quarter so that the latter can check to ensure compliance with the internal control regulations.

At the Board Meeting No. 1/2557 on February 26, 2014, the Audit Committee assessed the internal control system to ensure efficiency, the details of which appear under the title “Internal Control” on following latter page.

#### **16. Report from the Board of Directors**

The Board of Directors are responsible for the Company’s financial statements. The financial information in the annual report is prepared according to the generally recognized accounting standard, using appropriate accounting policies and regular practices. Essential information is sufficiently disclosed in the notes attach the financial statements. The Board of Directors have appointed an Audit Committee comprising at least 3 Independent Directors to audit the financial statements and internal control to ensure transparency.

#### **17. Relationship with investors**

The Board of Directors attach importance to disclosure of financial and non-financial information – such as nature of business, financial statements, shareholding structure, organization structure, annual report, invitation to meeting and other essential information -- in a transparent and timely manner on the Company’s website at [www.sabina.co.th](http://www.sabina.co.th) for easy access by shareholders.

We have also established Investor Relations Unit to provide investors, analysts and the general public with useful information and news of activities. Investors and interested persons may ask questions by email at [it@sabina.co.th](mailto:it@sabina.co.th) or [amornthep@sabina.co.th](mailto:amornthep@sabina.co.th) or calling 0-2422-9400.

#### **Management structure**

The management structure comprises of 3 Boards, namely, the Board of Directors, the Audit Committee and the Executive Committee:

##### **Board of Directors**

As at February 21, 2013, there are 10 Directors on the Board.

| <b>Name</b>                 | <b>Title</b>                             |
|-----------------------------|------------------------------------------|
| Mr. Viroj Thanalongkorn     | Chairman                                 |
| Mr. Bunchai Punturaumporn * | Director                                 |
| Mrs. Suchanya Thanalongkorn | Director                                 |
| Mr. Apisit Jongkittipong *  | Director                                 |
| Miss Somsri Sripatoomrak *  | Director                                 |
| Mr. Amornthep Asepunya *    | Director                                 |
| Miss Vachirawan Yamsri      | Director                                 |
| Miss Rawewan Peyayopanakul  | Director and Chairman of Audit Committee |
| Mr. Somchai Vanavit         | Director and Member of Audit Committee   |
| Mr. Yuthana Adipath         | Director and Member of Audit Committee   |

\* Are the Directors of the subsidiary

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**Authorized Directors as per Certificate of Company Registration**

On May 3, 2007, the Extraordinary Meeting of Shareholders No.4/50 passed the following resolution: Out of the 5 Directors, namely Mr. Viroj Thanalongkorn, Mr. Bunchai Punturaumporn, Mr. Apisit Jongkittipong, Mr. Amornthep Asepunya and Miss Somsri Sripatoomrak, any two of them may jointly sign their names and affix the corporate seal to legally bind the Company.

**Scope of Power and Duty of the Board of Directors**

- 1) To manage the Company according to the law, company's objectives, Articles of Association and lawful resolutions of the meeting of shareholders, and to perform duties on a bona fide basis and protect the Company's interests.
- 2) To set the targets, adopt guidelines and policies, make plans and allocate budgets. Control and manage the Company in accordance with the adopted policies and the regulations of the Securities Exchange of Thailand, except the following matters that a prior approval of the Meeting of Shareholders is required by the law: capital increase, capital decrease, debenture issuance, merger, company dissolution, sale or transfer of some or all of major assets to outsider, purchase or acquisition of other companies, merging with another business or juristic entity with intention of sharing the losses, amendment or termination of lease of all or certain major properties of the Company, assignment of anyone for the management of the Company's business, amendment of memorandum and/or Articles of Association, connected transactions, purchase and sale of major assets pursuant to the regulations of the Securities Exchange of Thailand or as set forth by other government agencies.
- 3) The Board of Directors may appoint, as it deems appropriate, a number of the Directors or Executive Committee comprising a number of members with one chairman to manage the Company.
- 4) The Board of Directors may appoint a Managing Director or authorize any person to operate the Company's business under its control or to grant the powers to such person for a certain period of time as it deems appropriate. The Board of Directors may remove such person or change the scope of power of such person. In the event of authorizing the Managing Director or another person to act for and on behalf of the Company in respect of ordinary operation, such authorization shall be in line with the resolution of the Meeting of the Board of Directors which an Independent Director or a Director acting as a member of the Audit Committee is present. If an Independent Director or a Director acting as a member of the Audit Committee votes against such authorization, such votes must be clearly recorded in a meeting minute. Such authorization should clearly specify a scope of powers, duties and responsibilities of an authorized person. Such authorization shall not allow an authorized person to approve transactions that he has vested interest in or has conflict of interests (as set forth in the Company's Articles of Association and in the regulations of the Securities and Exchange Commission and Securities Exchange of Thailand.) with the Company or any subsidiary, except approvals of normal business transactions.
- 5) To consider approving creation of encumbrances on the Company by putting up its assets or its subsidiary's assets as security.
- 6) To consider approving investments for business expansion, including forming a joint venture with other firms.
- 7) To consider approving the authorization within the Company.

The Directors, authorized persons or any other persons who may have vested interests in the transaction being considered or having conflict of interests with the Company or any of the subsidiaries are not entitled to vote on transactions or matters being considered.

#### Audit Committee

In the Board Meeting No. 1/2557 on February 26, 2017 comprised these 3 members:

| Name                       | Title                     |
|----------------------------|---------------------------|
| Miss Rawewan Peyayopanakul | Chairman                  |
| Mr. Yuthana Adipath        | Member of Audit Committee |
| Mr. Somchai Vanavit        | Member of Audit Committee |

\* Note : The said three members are fully qualified and experienced in the audit of company's finances.

#### Scope of Power and Duty of Audit Committee

- 1) To conduct audits of financial reports and ensure the correctness and completeness thereof.
- 2) To conduct audits and ensure that the Company has a suitable and efficient internal control system; to ensure that the internal audit remains independent; to provide opinions on appointment, transfer and removal of the Head of Internal Audit Department or other persons responsible for internal audit.
- 3) To conduct audits to ensure that the Company complies with the law on securities and stock exchange and the regulations of the Securities Exchange of Thailand and other applicable laws.
- 4) To nominate independent persons as the Company's auditor and propose the remuneration thereto, and to attend meetings with an auditor with the absence of the management, at least once a year.
- 5) To examine connected transactions or transactions with conflict of interest to ensure compliance with laws and the regulations of the Securities Exchange of Thailand, and to ensure their justification and the Company's maximum benefit.
- 6) To prepare an Audit Committee's report, signed by the Chairman of the Audit Committee, which shall comprise, at least, the following details.
  - (a) The views on the correctness, completeness and reliability of the Company's financial report.
  - (b) The views on the efficiency of the Company's internal control system.
  - (c) The views on compliance with the law on securities and stock exchange and the regulations of the Securities Exchange of Thailand and the other laws applicable to the Company's business.
  - (d) The views on the suitability of the auditor.
  - (e) The views on transactions that may involve conflict of interests.
  - (f) The number of meetings of the Audit Committee and the attendance of each member.
  - (g) The views or remarks on performance of duties pursuant to the Charter.
  - (h) Other transactions that the shareholders or investors should know, subject to the scope of duties and responsibilities as set forth by the Board of Directors.
- 7) Performance of other duties assigned by the Board of Directors, subject to approval of the Audit Committee.

### **Terms of Audit Committee and Secretary of Audit Committee**

The Audit Committee shall remain in office for 2 year. On November 13, 2013 the Company Audit Committee appointed Mister Samphan Puyabhiromya as the secretary and Audit Committee, instead of Miss Nuanchan Hansakulbunterng who resigned due to retirement, responsible for assisting the Audit Committee on meeting appointments, agenda preparation, submission of meeting documents and taking minutes.

### **Executive Committee**

As at February 26, 2013, the Executive Committee of the Company comprised 5 members, the details of which are shown in the table below:

| <b>Name</b>               | <b>Title</b>                    |
|---------------------------|---------------------------------|
| Mr. Bunchai Punturaumporn | Chairman of Executive Committee |
| Mr. Apisit Jongkittipong  | Executive Director              |
| Miss Somsri Sripatoomrak  | Executive Director              |
| Mr. Amornthep Asepunya    | Executive Director              |
| Miss Vachirawan Yamsri    | Executive Director              |

### **Scope of Power and Duty of Executive Committee**

- 1) To set policies, guidelines, strategies and principles for business operation in line with targets set by the Board of Directors, and has the authority to act according to the policies of the Board of Directors, subject to laws, rules, regulations and Articles of Association of the Company.
- 2) To set forth organization structures and administrative powers covering recruitment, transfer, training and termination of employees, except for the positions of the Chairman of the Executive Committee and the Managing Director.
- 3) To consider a budget allocation proposed by the Managing Director for submission to the Board of Directors for approval.
- 4) To investigate and monitor policies and directives on the management as set forth by the Company to ensure efficient performance.
- 5) To consider business investment related or unrelated to main businesses before submission to the Board of Directors for approval.
- 6) To consider approving applications to financial institutions for loans or credits and repayments thereof or repayments for the Company's usual transactions, e.g. payment for investment, purchase of land with or without structures, purchase of machinery and other assets, and payments for various operations, the amount of which, for each item, not exceeding 30 million baht (submission to the Board of Directors for acknowledgement); or seeking approval of the Board of Directors for payment exceeding the said limit.
- 7) To consider allocating rewards, prizes or remunerations, subject to approval of the Board of Directors.
- 8) To perform other duties assigned from time to time by the Board of Directors.

The Executive Committee may, as it deems appropriate, authorize an employee at management level to approve any one or many financial transactions.



Such authorization shall not allow the Executive Committee to approve any transaction that they or other persons have vested interests in (as set forth in the Company's Articles of Association, the regulations of the Securities and Exchange Commission and Securities Exchange of Thailand) or have conflict of interests with the Company or any of the subsidiaries, except an approval of a normal business transaction as set forth by the Board of Directors. The Executive Directors or persons with vested interests or conflict of interests with the Company or any of the subsidiaries may not vote on the matter being considered.

#### **Nomination of Directors and Executives**

The Executive Directors or Executives of the Company shall be appointed by the Board Meeting without being nominated by the Recruitment Committee, as presently the Company has no Recruitment Committee. However, the Company has a policy to recruit persons who can make useful contributions to the Company. The appointment and removal of the Directors shall be done as follows:

##### **Number and Appointment of Board of Directors**

1) The Board of Directors of the Company shall be made up of at least 5 Directors, half of which must reside in the Kingdom of Thailand. The Board of Directors shall nominate the persons who have the qualifications under Section 68 of the Public Company Limited Act B.E. 2535 (1992) and the notifications of the Securities and Exchange Commission applicable thereto, for the office of the Directors, taking into account the nominees' knowledge and experience in the Company's business. The Meeting of Shareholders shall make decision on the appointment of such nominees.

2) At every Annual Ordinary Meeting of Shareholders, one third of the Directors shall vacate their office; if the number is indivisible by three, the nearest number shall apply. In the first and second years subsequent to company registration, which the Directors shall vacate their office shall be decided by a draw. In the subsequent years, the Directors who remained in office for the longest time shall vacate their office. The Director whose office term has ended may be reappointed.

3) The Meeting of Shareholders shall appoint the Directors by majority vote as follows.

3.1 The number of votes that each shareholder may cast shall be equal to the number of shares that he holds.

3.2 Each shareholder may cast all of his votes according to Item 3.1 to elect one person or many persons as the Director, but he may not cast too many or too few votes for anyone.

3.3 The persons who have received the highest votes in descending order shall be appointed the Directors in the number that the Meeting of Shareholders has to choose at that time. In the event of a tie between or among the persons in the next order exceeding the number of the persons to be chosen at the meeting, the Chairman of the Meeting shall cast a ruling vote.

4) In the event that an office of the Director is vacant for reasons other than end of office term, the Board of Directors, shall, at the next Board Meeting, with a majority vote of at least three quarters of all the votes, appoint as a Director a person who has no undesirable qualities as set forth in the Public Company Act, unless the remaining office term is less than two months. The newly appointed Director shall be in office for the remaining office term of the person he replaces.

5) By majority vote of at least three quarters of all the votes of the shareholders present and eligible to vote, whose shares are not less than half of the shares held by the shareholders present and eligible to vote, the Meeting of Shareholders may remove any Director from office before the end of his office term.

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**Number and Appointment of Executive Committee**

The Board of Directors shall appoint the members of the Executive Committee from their own members.

**Number and Appointment of Audit Committee**

The Board of Directors and/ or the Meeting of Shareholders shall appoint the Audit Committee comprising at least 3 members, who are fully qualified pursuant to the notifications of the Securities Exchange of Thailand. The office term of each member shall be two years.

**Monitoring in Subsidiary's operation**

The Company has the policy in managing subsidiary by sending persons who do not have conflict about benefit both to the Company and subsidiary to be one committee in the subsidiary. Proportion of people from the Company will be more than half of all subsidiary committees to indicate about policy making in financial and operational closely.

On March 16, 2007 the Company invested in Sabina Fareast Company Limited. Amount of shares that the Company bought was 99.90%

**Policies and Methods of Use of Internal Information**

It is our policy to prevent our Directors and Executives from using information on securities trading and other confidential information for their personal gains, the details of which are as follows:

1. Firewall and antivirus program are used to prevent unauthorized access to our information and to protect our data.
2. For security reason, access levels are set in each computer program for different employees.
3. A clause concerning storage of internal data and prevention of access thereto is included in the contract of employment, work regulations, management policy, work procedures, stating that the Company's undisclosed confidential information may not be used for personal gains or for the benefit of outsiders.
4. We shall notify our Directors and Executives of the confidential information and order them not to trade any company's securities during the period of one month before disclosure of our financial statement to the public. Making any transaction during that period constitutes a breach of discipline. The penalties vary from verbal warning, written warning, and suspension from work or dismissal. The offender will be required to reverse the transactions and donate the profit to charitable organizations.
5. The persons from outside, who take part in the audit or make transactions that may affect the price of the Company's securities, must make a non-disclosure agreement with us, which will be in force until we disclose such confidential information to the Securities Exchange of Thailand and Securities and Exchange Commission

**Auditor remuneration**

According to Public Limited Company Acts, The Securities and Exchange Commission conduct, and company's regulation which authorized shareholders' common meeting appoint Auditor and determine company audit cost annually. Including, the Stock Market Control Committee Declaration (ทอ. 11/2552) about the principle, condition, and report procedures of reveal public financial status and overall operation of issued shares company Section 7(7) identify that the issuing company which have to rotate auditors. If the auditor audited, review, and commented on the financial statements of

the Company for the past 5 consecutive periods, The Company can appoint a new auditor, which can come from the same audit firm as the previous auditor.

In 2013, the Shareholder meeting decided to appoint Professor Kessaree Narongdech or Miss Natsarak Sarochananjeen or Mister Chaiyut Angsuwittaya or Mister Sumitr Korpiboon, licensed auditor number 76, 4563, 3885, and 4885 consequently form A.M.T. Associate firm to be auditors of the company and the subsidiary. The remuneration concluded as 830,000 Baht. The auditors of A.M.T. Associate firm performed well comply with the standard and expert in audit. The auditors are freely and do not have any relationship to the Company, subsidiary, CEOs, major shareholders or any relevance of these people.

### Auditor remuneration Table

Unit : Baht

| Fee                                                              | SABINA Public Company<br>Limited | SABINA Fareast Company<br>Limited |
|------------------------------------------------------------------|----------------------------------|-----------------------------------|
| 2013 Audit Fee                                                   |                                  |                                   |
| Financial audit in each company                                  | 360,000                          | 330,000                           |
| Overall Financial Audit                                          | 80,000                           | -                                 |
| Annual Stocks Audit - Factory                                    | 40,000                           | 50,000                            |
| Annual Stocks Audit - Branch                                     | -                                | 20,000                            |
| Financial Review for Q1, Q2, and Q3                              | 300,000                          | 210,000                           |
| Review report according to Investment Promotion Card<br>(1 Copy) | 50,000                           |                                   |
| Miscellaneous (transportation, postal service, fax, etc.)        |                                  |                                   |
|                                                                  | Actual paid amount               | Actual paid amount                |
| Total                                                            | 830,000                          | 610,000                           |

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## **Corporate Social Responsibility (CSR)**

### **Corporate Social Responsibility (CSR) report 2013**

The company always realize about impact to organization, society, and environment both near and far scope in every activity with the resource both inside and outside the company to live with happiness together in society. This is the principle for us to do Corporate Social Responsibility (CSR) activities.

#### **Vision**

The company established vision to operate business under “Create Value with Innovation” concept. We believe that everyone on company can create value with innovation or new fresh idea can be happen every section in the company.

#### **Mission**

The company separate missions to 5 P as follows.

**1. People : Trust and Worthiness in Human as precious resources** The company believes that employees are the most valuable human resources of the company.

**2. Product : Delivered products beyond expectation** The company gives important to deliver products beyond expectation both in time and quality aspects.

**3. Partners : Trust and Reliable Enterprise** The company will manage and operate to have trust and reliable from all shareholders or every stakeholders of the company.

**4. Productivity : Innovations through productivity by advance** mechanism the company will bring technology and innovation in managing production by using state of the art production machines to make high standard quality products and less cost of production.

**5. Planet : Return benefits to society and environment** The Company insists on operate business by paying back to societies and environment in every activity.

Moreover, the company also realizes good VALUE of employee and organization lead to 4 organization culture and trains employees to understand and help them to adapt and apply in daily life and career also which are;

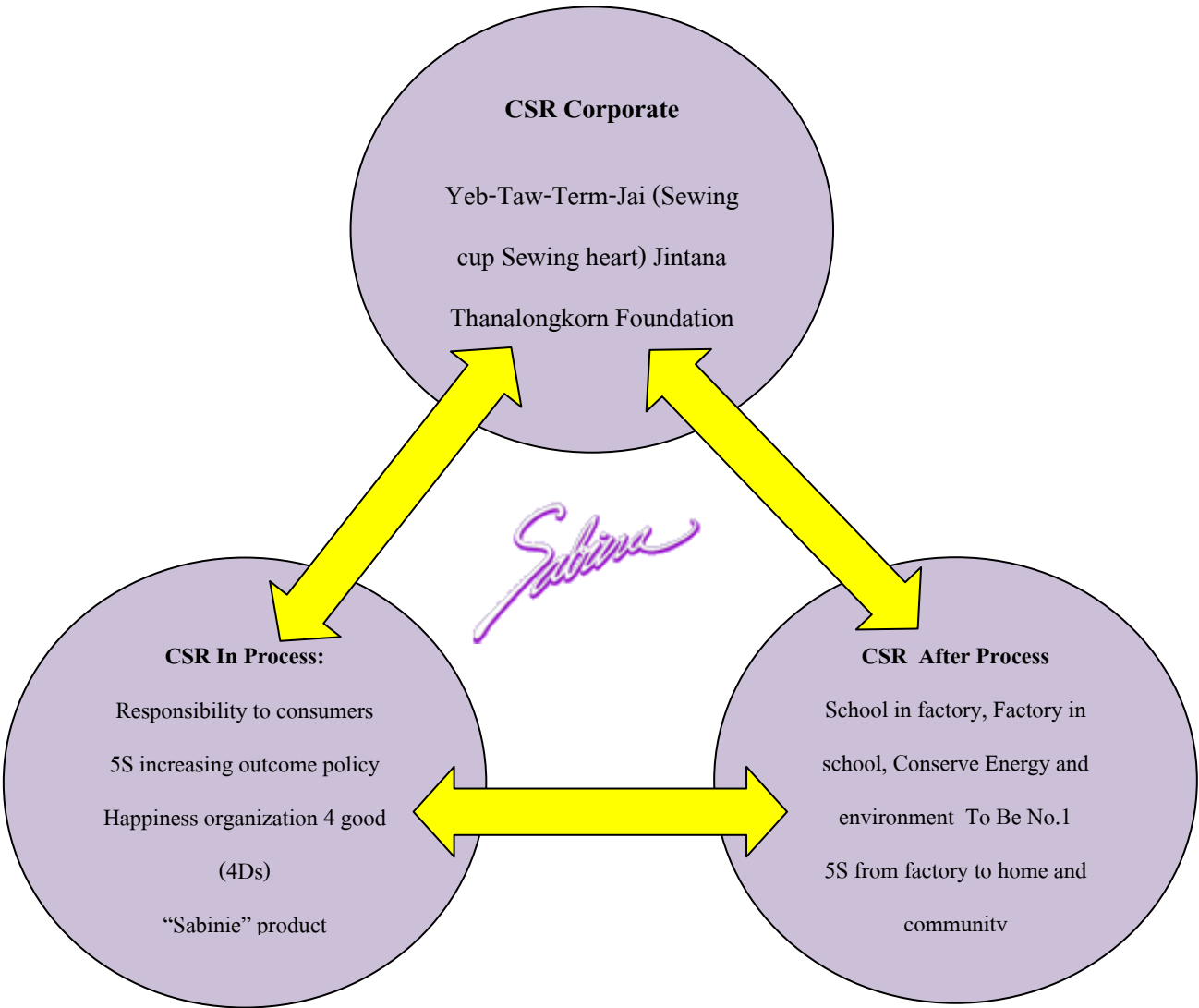
**Think Good**

**Act Smart**

**Gentle Talk**

**Good Man**

Sabina CSR



| Sabina Public Company Limited       |                                            |                                                                                                       |                                  |
|-------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------|
| Level                               | Project                                    | Intention                                                                                             | 5P                               |
| Corporate                           | Yeb-Taw-Term-Jai (Sewing Cup Sewing heart) | Help breast cancer patient, develop community and society.                                            | Partner                          |
|                                     | Jintana Thanalongkorn Foundation           | Develop community and society.                                                                        | People Partner                   |
| In Process                          | Responsibility to consumers                | Keep good governance                                                                                  | Partner Product                  |
|                                     | 5S increasing outcome policy               | Create good work environment to increase outcome and take care of environment by reuse and recycle.   | People<br>Productivity<br>Planet |
|                                     | Happiness organization 4 good (4Ds)        | Respect human rights, good governance, and treat employee righteously.                                | People                           |
|                                     | “Sabine” product                           | Educate youth to take care of environment/ foster conscious in developing community and society.      | Product                          |
| After Process                       | School in factory                          | Develop community and society                                                                         | Productivity<br>People           |
|                                     | Factory in school                          | Develop community and society including create and spread new innovation.                             | Partner People                   |
|                                     | Conserve Energy and environment            | Take care of environment, create and spread new innovation.                                           | Planet Partner                   |
|                                     | To Be No.1                                 | Develop community and society.                                                                        | Partner People                   |
|                                     | 5 Sor from factory to home and community   | Take care of environment, develop community and society, including, create and spread new innovation. | Planet Partner                   |
| Happiness organization 4 good (4Ds) |                                            |                                                                                                       |                                  |
| Social                              |                                            |                                                                                                       |                                  |

## Corporate Social Responsibility (CSR) Activities

### 1. Yeb-Taw-Term-Jai (Sewing Cup Sewing heart)

The company has a strong desire to help breast cancer patients, most of which is the female image. To have confidence in more to live a normal life as well as reducing problems in balance Due to loss of the breast. Restore the fill in the heart and come back up strong.

#### Background of the project

The company started a project since 2008 onwards, due to the many breast cancer patients need to buy breast implant to wear. The company coordinated with alliances to create project called “Yeb-Taw-Term-Jai” (Sewing Cup Sewing heart) to support of breast implant sewn donated to needy patients.

| Project performance                            | 2008-2012 | 2013   | Unit          |
|------------------------------------------------|-----------|--------|---------------|
| Donated breast implant                         | 60,520    | 26,560 | Pieces        |
| Organizations that participate in the project. | 4         | 7      | Organizations |
| Number of Participants                         | 14,500    | 5,080  | Person        |

#### **Organizations that participate in the project from 2008-2012 including 4 organizations as follows**

1. Thai TV Channel 3 in programme “Women to Women” Show
2. Muang Thai Life Assurance PCL
3. Singer Thailand PCL
4. PTT Global Chemical PCL

#### **In 2013, we got another 3 agencies and organization to cooperate as follows.**

1. Robinson Department Stores PCL for all 32 branches throughout Thailand
2. Faculty of Associated Medical Science, Chiang Mai University
3. Phuket Rajabhat University

Moreover, this project collected donations to Thai Red Cross foundation since 2008 until now in total 640,000 Baht.



## 2. Jintana Thanalongkorn Foundation

The company wishes to take the opportunity and develop the potential of employees within the organization, and on to the home, community, and society is near and far from organization. By studying the important basis in the development of human potential The Company wishes to take the opportunity and develop the potential of employees within the organization, and on to the home, community, and society is near and far from organization. By studying the important basis in the development of human potential, therefore Jintana Thanalongkorn Foundation was established to develop, promote education all the way. The foundation aimed assist the youth learning but lack opportunity, including the disadvantaged in education which regards on physical or disability, contributing to the development potential of education.

### History and background of Jintana Thanalongkorn Foundation

The company wanted to provide education opportunities to children and employees within the organization that was the reason to established “Adul-Jintana Thanalongkorn Funding” which was the Scholarships for employees' children and staff within the organization. Subsequently, the company saw the relationship between society and community organizations. It is the beginning of the study of social assistance even more. Therefore, this led to the establishment of “Jintana Thanalongkorn Foundation” on July 15, 2009 with the purpose of promote and support education activities as follows.

- Provide funding to assist disadvantaged students and/or students who learn well, but lack of financial support
- The company never seek any benefit or profit from the foundation
- Cooperate with other foundations for public good deeds
- We do not participate in any kind of political movement activities.



### The past performance of the foundation since 2009 – 2013

#### 1. Number of people who got supporting since the first establishment until 2012

| Year                                                                     | Number of people who got supporting since the first establishment until 2012<br>(All 3 categories) |                        |                                   |
|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------|-----------------------------------|
|                                                                          | Annual scholarship                                                                                 | Continuing scholarship | Scholarship for disabled students |
| 2010                                                                     | 75 scholarships                                                                                    | -                      | -                                 |
| 2011                                                                     | 63 scholarships                                                                                    | 8 scholarships         | 48 scholarships                   |
| 2012                                                                     | 108 scholarships                                                                                   | 12 scholarships        | 63 scholarships                   |
| Number of people who got supporting from 2010 to 2012 (All 3 categories) |                                                                                                    |                        |                                   |

2. 2012 CSR Activity at Tha-Baan-Lhuang School located at Moo 8 Tumbon Wangkaituen Amphoe Hanka Chainat Province which was flooded in 2554. The Foundation has promoted development building activities and donated items and educational materials for teaching computer until it can be opened normally.



#### 3. Scholarships granted by Jintana Thanalongkorn Foundation in 2013

| Number of Scholarships 2013 (All 3 categories) |                        |                                   |
|------------------------------------------------|------------------------|-----------------------------------|
| Annual scholarship                             | Continuing scholarship | Scholarship for disabled students |
| 105 scholarships                               | 12 scholarships        | 68 scholarships                   |



## CSR in Process

### 1. Responsibility to customers

To response customers' satisfaction in highest level including with responsible in services and product quality, the Company established SABINA Call Center or consumer responsible hotline (02-422-9430) and Email: [CRM@sabina.co.th](mailto:CRM@sabina.co.th) or [www.sabina.co.th](http://www.sabina.co.th). In case that when customers or people have recommendation to the products and company or problem both positive and negative comment under official management and control Committee to take care of those information for the highest satisfactory of customers.



### CSR toward consumer execution in 2013

Any recommendations and complaints will be solved through the Company process which brings to good feedback to consumers and/or company's stakeholders including communities and societies.

Moreover, the Company has built relationship and promoted good activities with customers, family, partners, and stakeholders such as employees, surrounding families and communities, and government sectors by using all communication channel to maximize satisfaction and sustain long term social responsibility concept.



## 2. “Sabinié” Product

The company pays attention to youth who will be the vital part in country development, therefore we set the policy that our youth related product has to foster good attitude to kids such as conserving energy and environment in suitable activities.

“Sabinié” kid’s lingerie always intends to create good activities which suitable for youth and kids and also continue “Sabinié Camp” project which for group of girls between 6-12 years old. This project is held annually for the kids to learn and experience outside class room which could lead them to be good citizen in the future.

### Project performance in 2013

To support Year of Reading campaign “Bangkok World Book Capital 2013” which held to encourage and persuade youth and people at all ages to read and build strong attitude about reading toward Thai citizens. Sabinié held reading encouragement project for entire of the year in form of **School Tour** and **“Sabinié Camp” #9** under the concept **“Arn-Arn-Arn-Khor-Arn-Duay –Khon”** (Tadaam...Let met read too) which reflected to the benefit and fun activity such as **“Ban-Tuk-Nung-Sue-Seang-Sai”** which promoted different kinds of reading and insert good point of view about encouraging reading habit in everywhere. The kids who participated in the camp also received some books.





### 3. 5S to increase outcome

5S is the engineering tool that brings to increase the outcome in the operation and enhance good working environment to be safe and clean. The Company campaign and promote internal employees to cooperate with 5S to make good attitude in working and develop performance all the time. Starting from 3S then follow by Sang-Mart-Tra-Than (build the standard) and Sang-Vi-Nai (build the discipline) for employees to hold to this principle in daily life.



### Project Performance in 2013

The Company received 5S Award 2013 on November 26, 2013 from Thai-Nichi Institute of Technology (TNI) at Grand hall, BITEC Convention and Exhibition Center Bangkok



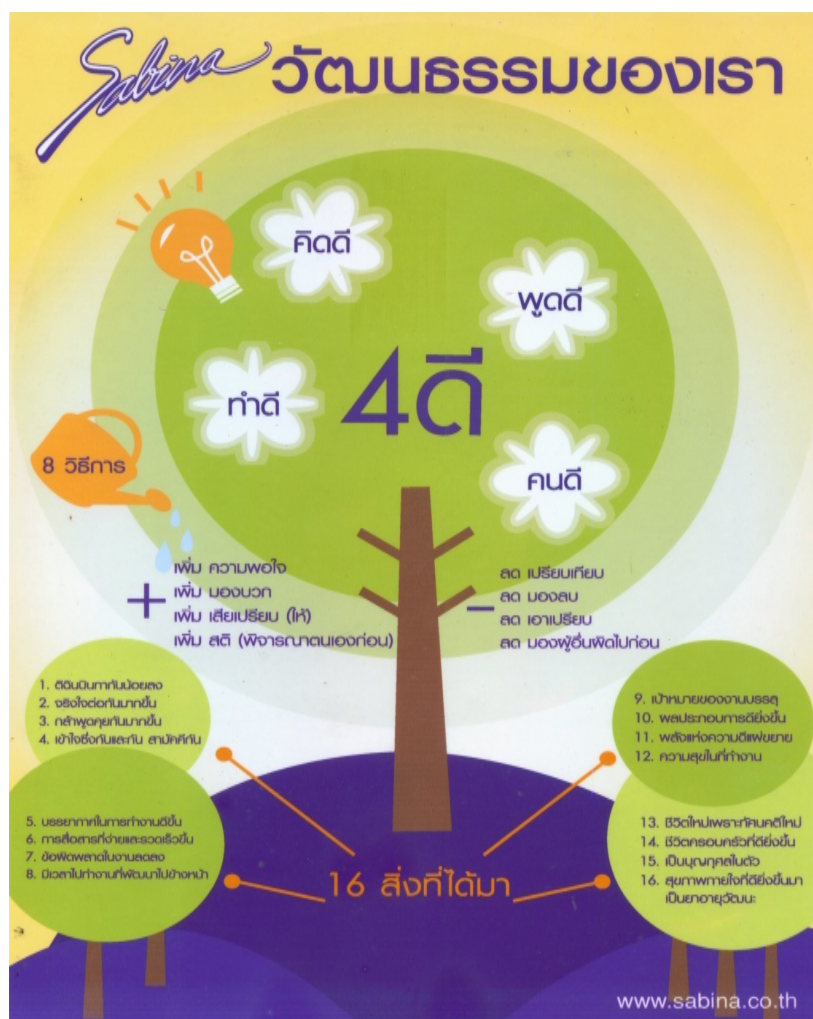
#### 4. Corporate culture: 4D for happy organization

For making happy organization, the Company believes that good man consists of think good, gentle talk, and act smart. When the Company has good people, the happy organization would be consequently.

The Company announced and campaigned 4D culture through different media channel all the time such as activities, sign board, internal voice announcement. Resulted that turnover rate had decreased due to happy working life.

**Project Performance since 2011 to present the turnover rate of employees had decreased as follows.**

| turnover rate of employees 2011 - 2013 |      |      |
|----------------------------------------|------|------|
| 2011                                   | 2012 | 2013 |
| 6.01                                   | 3.59 | 2.68 |



| Happy Organization Culture                                                                      |                                              | 16 Benefits                               |
|-------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------|
| 4 Good Habits (4Ds)                                                                             | 8 Ways                                       | Less gossip                               |
|                                                                                                 |                                              | More honest                               |
|                                                                                                 |                                              | More conversation                         |
|                                                                                                 |                                              | Understand each other more                |
| Think Good (Khid-Dee)<br>Act Smart (Tham-Dee)<br>Gentle Talk (Phood-Dee)<br>Good man (Khon-Dee) | More satisfaction                            | Better working environment and atmosphere |
|                                                                                                 | More positive thinking                       | Communication becomes easy and fast       |
|                                                                                                 | More giving                                  | Less mistake at work                      |
|                                                                                                 | More mindfulness (start from yourself first) | More time for R&D work                    |
|                                                                                                 | Less comparison                              | Achieve the goal                          |
|                                                                                                 | Less negative thinking                       | Better performance                        |
|                                                                                                 | Less taking advantage                        | More good energy                          |
|                                                                                                 | Less blaming others                          | Happiness in workplace                    |
|                                                                                                 |                                              | New attitude, new life                    |
|                                                                                                 |                                              | Better family life                        |
|                                                                                                 |                                              | Doing good                                |
|                                                                                                 |                                              | Healthy body and mind causing long live   |

### CSR after Process

#### **1. Alternative and Conservation Energy**

Since 2008, the Company emphasized the importance of using natural resources especially about energy which have impacts to environment, invented alternative energy and new innovation all the time, and fostered energy consumption attitude toward employees in order to use it right way and worthwhile by using energy as less as possible and seeking alternative energy resources which led to quality manufacturing and worthwhile when compare with energy loss.

#### **Project Background**

Overall company energy consumption especially electricity tends to increase in 3-6% depended on inflation rate and every year float time rate (Ft)\*, overall energy demand rate in Thailand which increased about 6-7%. Therefore, the Company initiated energy and environment conservation campaign in concrete since 2008.

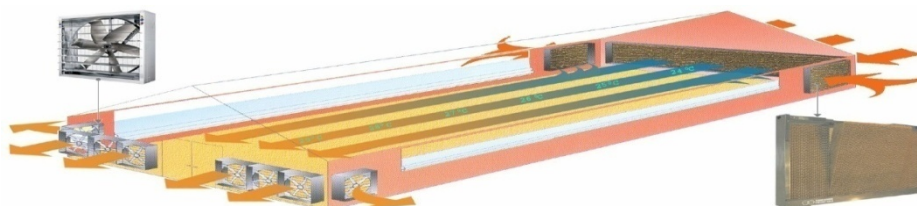
- Source <http://www.eppo.go.th/vrs/VRS57-02-forecast.html>

## Road Map 10 Years and Outcome 2008-2012

| Road Map & Process Alternative and Conservation Energy                               |           |           |           |           |           |           |           |            |            |            |  | Process Energy                       |    |
|--------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|--|--------------------------------------|----|
| Ratio between conservation energy<br>and Alternative consumption from<br>Electricity |           |           |           |           |           |           |           |            |            |            |  | 70                                   | 30 |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | 65                                   | 35 |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | 60                                   | 40 |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | 55                                   | 45 |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | นวัตกรรม                             |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | หลอด LED                             |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | ระบบไฟฟ้า 12v.                       |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | โซลาร์เซลล์                          |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | กังหันลมผลิตไฟฟ้า                    |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | หลอดไฟ T5                            |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | Evap System                          |    |
| 100                                                                                  | 0         |           |           |           |           |           |           |            |            |            |  | Non Improvement                      |    |
| 1,852,015                                                                            | 1,926,096 | 2,003,140 | 2,083,266 | 2,166,596 | 2,253,260 | 2,343,390 | 2,437,126 | 2,534,611  | 2,635,995  | 2,741,435  |  | ค่าไฟฟ้าเฉลี่ย Non Improvement/per M |    |
| 1,852,015                                                                            | 1,535,805 | 1,621,758 | 1,716,146 | 1,825,687 | 1,793,610 | 1,739,802 | 1,687,608 | 1,636,979  | 1,587,870  | 1,540,234  |  | ค่าไฟฟ้าจ่ายจริง/ per M              |    |
| 0                                                                                    | 390,291   | 381,382   | 367,119   | 340,909   | 459,650   | 603,589   | 749,518   | 897,632    | 1,048,125  | 1,201,201  |  | Save Cost / Per M                    |    |
| 0                                                                                    | 4,683,494 | 4,576,582 | 4,405,433 | 4,090,906 | 5,515,800 | 7,243,064 | 8,994,220 | 10,771,579 | 12,577,505 | 14,414,416 |  | Save Cost / Per Y                    |    |
| 2551                                                                                 | 2552      | 2553      | 2554      | 2555      | 2556      | 2557      | 2558      | 2559       | 2560       | 2561       |  | Roadmap/ Years                       |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | 277,498,990                          |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | ไม่มีการ<br>ดำเนินการ                |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | 200,225,990                          |    |
|                                                                                      |           |           |           |           |           |           |           |            |            |            |  | ดำเนินการ<br>อนุรักษ์พลังงาน         |    |

### The Company has replaced the EVAP system in Chainat and Yasothon factories since 2009

Since the air condition fluid has caused environmental problems whereby it has direct effect on the atmosphere of the earth, causing the **greenhouse effect**; therefore, the Company has changed the cooling system to the evaporating system (EVAP) to reduce temperatures of working areas. The mechanism of this EVAP is to use the energy in the air to create the evaporation process where then turn to cool breeze. With this EVAP, it only uses energy of 10%, lowering than typical air conditioning. This EVAP can continually generate a large amount of cool breeze and drive the hot air and germ out.





### Conservation energy and environment project outcome 2013

**Installed sun shade** to reduce heat from air-conditioner and drain heat in workplace. Including, develop Kaizen; using color that able to reflect heat and increase more green around the building.



We use leftovers from manufacturing and shelves to develop as a building heat buffer to protect high temperature from sunbeam to the factory and office buildings.

#### Summary of Energy Conservation Project 2013

|                  |                 |
|------------------|-----------------|
| Energy cost 2012 | 21,908,248 Baht |
|------------------|-----------------|

|                  |                 |
|------------------|-----------------|
| Energy cost 2013 | 21,523,325 Baht |
|------------------|-----------------|

|            |              |
|------------|--------------|
| Reduced by | 384,923 Baht |
|------------|--------------|

|          |       |
|----------|-------|
| Equal to | 1.76% |
|----------|-------|

#### Comparing energy conservation project with energy consumption with no conservation control on 2013

|                           |                 |
|---------------------------|-----------------|
| Expected energy cost 2013 | 22,784,578 Baht |
|---------------------------|-----------------|

|                   |                |
|-------------------|----------------|
| Would increase by | 1,261,253 Baht |
|-------------------|----------------|

|          |       |
|----------|-------|
| Equal to | 5.76% |
|----------|-------|

|                                       |                |
|---------------------------------------|----------------|
| Only 2013 could conserve energy about | 1,646,176 Baht |
|---------------------------------------|----------------|



## 2. Factory in School

### Objectives and background

Thai citizen in some areas are lack of opportunity to reach proper education to have specific skill that require in career life and earn money for their family.

The Company saw the importance of communities then we contacted school to bring in industrial sewing and industrial mechanism maintenance curriculum which benefited to students, parents and surrounding community members.

Since starting point of the project to 2012, the Company created vocational opportunities to students, parents and surrounding community members to gain skills as follows.

| Qualifiers of studying and skill test | 2011-2012 |             |                      |
|---------------------------------------|-----------|-------------|----------------------|
|                                       | Sewer     | Hand Sewing | Do as the occupation |
| Primary school student class 6        | 12        | 2           | -                    |
| High school student class 3           | 64        | 3           | 3                    |
| Individuals                           | -         | -           | -                    |
| Total                                 | 76        | 5           | 3                    |

### Project Outcome 2013

| Qualifiers of studying and skill test | 2013  |             |                      | 2011-2013        |                      |
|---------------------------------------|-------|-------------|----------------------|------------------|----------------------|
|                                       | Sewer | Hand Sewing | Do as the occupation | Class attendance | Do as the occupation |
| Primary school student class 6        | 15    | 3           | 2                    | 32               | 2                    |
| High school student class 3           | 32    | 5           | 4                    | 104              | 7                    |
| Individuals                           | 12    | 2           | 12                   | 14               | 12                   |
| Total                                 | 59    | 10          | 18                   | 136              | 21                   |



### **3. School in Factory**

#### **Objectives and background**

Employees are the most valuable for the Company, so we had a goal to enhance the capacity of its employees and provided educational opportunities. As such, the school was built and the Company has hired teachers to teach in the factory where the curriculums are in accordance with non-formal educational curriculums. Therefore, employees passed courses will receive certificates certified by the Ministry of Education. This school has been ongoing since 2006 to present.

#### **Project Summary**

| Level                                       | SABINA Public Company Limited and subsidiary |           |           |            |           |
|---------------------------------------------|----------------------------------------------|-----------|-----------|------------|-----------|
|                                             | Ta Pra                                       | Sai 5     | Chainat   | Yasothon   | Burirum   |
| Junior high school                          | 18                                           | 5         | 45        | 173        | 5         |
| Senior high school                          | 6                                            | 26        | 16        | 150        | 15        |
| Vocational education                        | 3                                            | 23        | 2         | 22         | -         |
| High vocational education - Bachelor degree | 6                                            | -         | -         | -          | -         |
| <b>Total</b>                                | <b>33</b>                                    | <b>54</b> | <b>63</b> | <b>345</b> | <b>20</b> |



#### **4. To Be No.1**

Princess Ubolratana Rajakanya Sirivadhana Barnavadi initiated “To be No.1 without drugs dependence” or just “To Be No.1” in short to wipe out and stop drugs abuse problem everywhere in Thailand. Therefore, the Company realized the value of this project then we promoted and support any kinds of activities under the project idea until received the winner of outstanding national award (Large-scale operation) and the company keep doing continually to maintain standard until received Silver class award as the model (National) in 2012 and expand to the Company branches, surrounding communities. At last, the Company and subsidiary received White Factory Reward for every factory which means we are 100% no drugs in every business places.

#### **Project Outcome 2013**

The company participates in To Be No.1 Contest every year. Yasothon factory received Year 1 Gold class award of model in maintaining standard (National level) and Chainat received the winner of outstanding operation (Large scale) prize in provincial level. And the Company aim to sustain the project afterward.



### 5. 5S from Factory to Home

Regarding to 5 Sor activities which company promoted for internal organization which led to reduction of cost, enhance good working environment, increase outcome. Therefore, the Company wants to expand this culture and innovation of the employees that practice in workplace to their home and family which can benefit to community also.

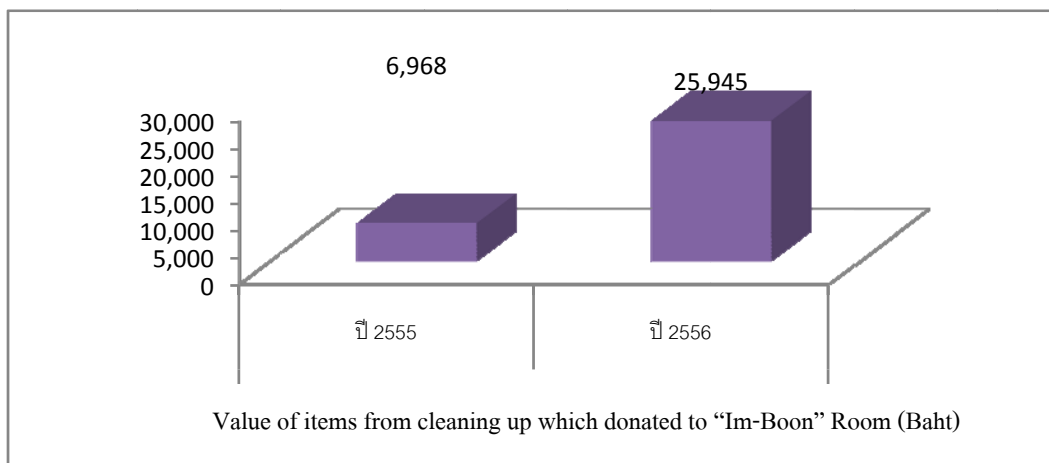
#### Project Outcome 2013

The company trained the employees how to practice 5 Sor at home which integrated between manufacturing process and daily housework for example clear up, separate leftovers, their cupboards, cars, etc. After, employees did 5 Sor at home; they could have some items to sell or donate to share with each other at “Im-Boon” Room. Money which earned from this project partly donates to so Jintana Thanalongkorn Foundation to support scholarship of employees’ children and others.

**Employees did 5 Sor at home to bring clean up items from home to donate at “Im-Boon” Room as the place to sell items which make money available for donation in the foundation.**



| Value of items from cleaning up which donated to “Im-Boon” Room (Baht) |        |
|------------------------------------------------------------------------|--------|
| 2012                                                                   | 2013   |
| 6,968                                                                  | 25,945 |



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**Anti-Corruption**

The Company announced to be one of Thai private business enterprises alliances against corruption. Now, we are in process of drafting to policy, building system to prevent internal corruption, and sending authorities and CEOs to relevant conferences to qualify Certification process to guarantee that the Company has completely policy against corruption and suitable internal control according to our vowed against corruption.

Moreover, the Company communicated idea against corruption to all stakeholders by issued letters to partner about there will be no acceptance of cash, items, and gifts in any occasion. And also provided contact channel for partners who were treated unfair to complain and get suitable problem solving. The Company also hold meeting and communicate about this policy to every part in the company continually.

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## **Internal Control and Risk Management**

Our internal control system is audited by the Internal Audit Office. The operations of the departments in our company and subsidiary are audited according to the Internal Audit Plan of the Management. The Audit Committee will audit the internal control and audit systems of our company and subsidiaries to ensure that they are adequate and efficient.

On February 26, 2014, the Board Meeting No. 1/2014 was held. Three Audit Committees also attended this meeting. The Meeting assessed the Company's internal control system through examination of documents from the Executives, questionnaire on the internal control system adequacy made by the Audit Committee and the Executives. The Company's and subsidiary's internal control systems in respect of organization, environment, risk management, management operation control, information system, data communication and follow-up were assessed. The Meeting decided that the Company and subsidiary have adequate internal control systems that make the operation and management efficient and transparent.

On November 13, 2013 the Company Audit Committee appointed Mister Samphan Puyabhiromya as the secretary and Internal Audit Committee due to his internal audit experiences and good understanding of internal operations.

**The qualifications of Head of Company Internal Auditor included in Attached Document 2**

## **Connected Transactions**

### **Connected Transactions between the Company, Subsidiary and Other Persons that May Create Conflict of Interests**

According to the Auditor, in the year 2012, Sabina Public Company Limited and Sabina Fareast Co., Ltd. made connected transactions that may create conflict of interests. Other connected transactions were also disclosed in the note attached to the financial statement. The details are shown in the table below:

| <b>Related Companies</b> | <b>Relationship</b>                                                                           | <b>Type of Transaction</b>                                   | <b>Value (Million Baht)</b> | <b><i>Audit Committee's Views / Necessity and Justification for Transaction</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sabina Fareast Co., Ltd. | A subsidiary whose shares are held by its parent company, Sabina Plc. in the ratio of 99.90%. | Purchase of raw materials such as fabrics, laces and rubber. | 11.74                       | <p>Parent company bought the goods from its subsidiary at regular price under common term of payment -- same as dealing with other suppliers.</p> <p>Necessity for transaction: Normally, parent company and its subsidiary do not jointly buy raw materials and other items though the purchase order made by the latter. However, in some cases by placing a large order we can get raw materials and other items at lower price.</p> <p>Audit Committee's views: The transactions were made in normal purchase and sale where prices and term of payment were based on the market's indexes and references as if dealing with unrelated company.</p> |
|                          |                                                                                               | Purchase of Finish Goods                                     | -                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| Related Companies        | Relationship                                                                                  | Type of Transaction                      | Value (Million Baht) | Audit Committee's Views / Necessity and Justification for Transaction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sabina Fareast Co., Ltd. | A subsidiary whose shares are held by its parent company, Sabina Plc. in the ratio of 99.90%. | Sale of Finish Goods                     | 723.75               | <p>Sabina Plc. sold raw materials to Sabina Fareast Co., Ltd. at normal price under regular payment term.</p> <p>Necessity for transaction: Parent company manages the production capacity of all factories as if there is one factory. When parent company has excessive production capacity and its subsidiary has insufficient production capacity, the former buys raw materials from the latter to make lingerie for sale to the latter.</p> <p>Audit Committee's views: The transactions were made in normal purchase and sale where prices and term of payment were based on the market's indexes and references as if dealing with unrelated company.</p> |
|                          |                                                                                               | Sale of raw materials.                   | -                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Sabina Fareast Co., Ltd. | A subsidiary whose shares are held by its parent company, Sabina Plc. in the ratio of 99.90%. | Payment for lingerie production service. | 63.24                | <p>Parent company made lingerie for its subsidiary. The transaction is normal. The price and payment term are normal.</p> <p>Necessity for transaction: Parent company does not usually mass product lingerie for its subsidiary on a long-term basis. However, the said production was offered due to excessive capacity. It was a way to use the most of remaining production capacity.</p> <p>Audit Committee's views: The transactions were made in normal purchase and sale where prices and term of payment were based on the market's indexes and references as if dealing with unrelated company.</p>                                                     |



| Related Companies        | Relationship                                                                                  | Type of Transaction                       | Value (Million Baht) | Audit Committee's Views / Necessity and Justification for Transaction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sabina Fareast Co., Ltd. | A subsidiary whose shares are held by its parent company, Sabina Plc. in the ratio of 99.90%. | Payment for lingerie work pieces.         | 10.29                | <p>Payment made by parent company to its subsidiary for making lingerie work pieces at the price and payment term as in normal business practice.</p> <p>Necessity for transaction: Parent company manages the production capacity of all factories as if there is one factory. When parent company has excessive production capacity and its subsidiary has insufficient production capacity, the former buys raw materials from the latter to make lingerie for sale to the latter.</p> <p>Audit Committee's views: The transactions were made in normal purchase and sale where prices and term of payment were based on the market's indexes and references as if dealing with unrelated company.</p> |
| Sabina Fareast Co., Ltd. | A subsidiary whose shares are held by its parent company, Sabina Plc. in the ratio of 99.90%. | The rents for office space and warehouse. | 1.85                 | <p>Parent company leased office space and warehouse from its subsidiary on June 1, 2010. The rent was based on the market rate and the rate in the area nearby prevailing at the time.</p> <p>Auditor Committee's Views: Normal transaction based on the market rate.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Sabina Fareast Co., Ltd. | A subsidiary whose shares are held by its parent company, Sabina Plc. in the ratio of 99.90%. | Account receivable                        | 425.74               | <p>Payment term is the normal -- same as when parent company sells goods to other customers.</p> <p>Payment term is the normal -- same as when parent company sells goods to other customers.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                          |                                                                                               | Account payable                           | 1.33                 | <p>Audit Committee's views: The transactions were made in normal purchase and sale where prices and term of payment were based on the market's indexes and references as if dealing with unrelated company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| <b>Related company</b>   | <b>Relationship</b>                                                                           | <b>Transaction</b> | <b>Value<br/>(Million Baht)</b> | <b><i>Audit Committee's views /necessity and justification for transaction</i></b>                                                                                                             |
|--------------------------|-----------------------------------------------------------------------------------------------|--------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sabina Fareast Co., Ltd. | A subsidiary whose shares are held by its parent company, Sabina Plc. in the ratio of 99.90%. | Interest received  | 8.56                            | Interest earned by parent company from extending a loan to its subsidiary. The interest rate is 3.35-5% which is higher than the rate for a fixed deposit account offered by commercial banks. |
| Sabina Fareast Co., Ltd. | A subsidiary whose shares are held by its parent company, Sabina Plc. in the ratio of 99.90%. | Loan               | 256                             | Parent company, having liquidity, extended a loan to its subsidiary to help the latter repay the loan taken out from other financial institutions.                                             |

2) Normal transactions between Sabina Plc. and Sabina Fareast Co., Ltd. or between Sabina Fareast Co., Ltd. and other persons that may create conflicts with other transactions.

| <b>Related Persons</b>  | <b>Relationship</b>                                             | <b>Transaction</b>                                                         | <b>Value<br/>(Million Baht)</b> | <b><i>Audit Committee's Views / Necessity and Justification for Transaction</i></b>                                                                                                  |
|-------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. Viroj Thanalongkorn | Major shareholder of Sabina Plc., holding 74.59% of its shares. | Security for loan taken out from financial institution. No fee is charged. | -                               | To assist Sabina Plc. in its operation, Mr. Viroj Thanalongkorn puts up a security for the credits comprising O/D , P/N, L/C , T/R , P/C , L/G, long-term loan and forward contract. |

|                            |                                         |                                                                                        |    |                                                                  |
|----------------------------|-----------------------------------------|----------------------------------------------------------------------------------------|----|------------------------------------------------------------------|
| Mr. Viroj<br>Thanalongkorn | Director of Sabina<br>Fareast Co., Ltd. | Security for<br>loan taken out<br>from financial<br>institution. No<br>fee is charged. | 40 | Audit Committee's Views: The transaction is made<br>justifiably. |
|----------------------------|-----------------------------------------|----------------------------------------------------------------------------------------|----|------------------------------------------------------------------|

### **Approval of Connected Transactions: Measures and Procedures**

The transaction between the persons that may have conflict of interests in the future requires prior approval of the Board Meeting which is also attended by the Audit Committee. The Meeting shall consider the proposed transaction carefully to ensure reasonable pricing, fairness and justification for the maximum benefit of the Company. At the Meeting, the interested Director shall have no right to vote on the transaction being considered.

### **Future Connected Transactions: Policies and Possibilities**

On June 10, 2008, the Board Meeting No.11/2008 of Sabina Plc. decided to adopt the measures for the approval of future connected transactions, in which the transactions can be put into two categories, namely the normal and continuous transactions and extraordinary transactions that occur from time to time. The Meeting also adopted the policy on financial assistance. The procedures are as follows:

#### 1. Normal business transactions

Purchase of raw material is for example a normal business transaction because it occurs in the course of normal business operation. It is therefore stipulated that this type of transaction be made at a fair market price under the usual terms and conditions generally accepted in the industry that can be audited to prove justification. The proposed transaction shall be examined and approved by the Audit Committee according to the principles and guidelines adopted and applicable thereto.

#### 2. Extraordinary transactions which occur from time to time

Share purchase or sale is for example an extraordinary transaction that occurs from time to time. The Audit Committee shall express their views whether or not the price is fair, the terms and conditions are acceptable or the transaction is justifiable. If the Audit Committee lacks the expertise on the type of transaction in question, an independent specialist or the Company Auditor will be called to conduct an audit. The views of the Audit Committee or independent specialist will be taken into account to assist decision on the approval by the Board Meeting or Shareholders Meeting of the said transaction, whichever the case may be, subject to the regulations applicable thereto.

#### 3. Policies on Financial Assistance

It is our policy that only financial assistance in the form of personal guarantee put up by a major shareholder and/or a Director, without charging any fee, to secure the loan taken out by the Company or subsidiary from financial institution -- inclusive of financial assistance to subsidiary -- shall be allowed in the future.

To make any connected transaction, the Board of Directors shall comply with the Securities and Exchange Act, the notifications, orders or requirements as set forth by the Securities Exchange of Thailand and the Securities Exchange Commission. The Internal Audit Office shall at random audit the transactions already made and present a report to the

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Audit Committee at the Meeting in that period for perusal. The connected transactions shall be shown in the financial statement that has been audited by the Company's Auditor – Form 56-1 and Form 56-2 shall be used – in compliance with the generally recognized accounting standard.

## **Essential Financial Information**

Unit : Million Baht

|                                      | <b><u>Consolidated financial statements</u></b> |                    |                    | <b><u>Financial statements</u></b> |                    |                    |
|--------------------------------------|-------------------------------------------------|--------------------|--------------------|------------------------------------|--------------------|--------------------|
| <b><u>Performance</u></b>            | <b><u>2011</u></b>                              | <b><u>2012</u></b> | <b><u>2013</u></b> | <b><u>2011</u></b>                 | <b><u>2012</u></b> | <b><u>2013</u></b> |
| 1. Total incomes                     | 1,927.27                                        | 2,032.48           | 2,189.43           | 829.05                             | 779.60             | 798.80             |
| 2. Incomes from sales and services   | 1,900.93                                        | 2,014.72           | 2,177.66           | 811.59                             | 763.54             | 786.99             |
| 3. Gross profit                      | 827.50                                          | 1,002.13           | 1,116.18           | 165.84                             | 154.91             | 156.16             |
| 4. Operating profit                  | 109.26                                          | 178.58             | 168.43             | 53.98                              | 70.56              | 75.05              |
| 5. Net profit                        | 62.78                                           | 111.51             | 117.15             | 57.77                              | 68.21              | 73.65              |
| <b><u>Financial Status</u></b>       |                                                 |                    |                    |                                    |                    |                    |
| 1. Total assets                      | 2,136.28                                        | 2,264.88           | 2,293.41           | 1,096.49                           | 1,103.93           | 1,160.62           |
| 2. Total liabilities                 | 897.77                                          | 862.99             | 821.13             | 142.19                             | 93.14              | 122.93             |
| 3. Total shareholder's equity        | 1,238.51                                        | 1,401.89           | 1,472.28           | 954.30                             | 1,010.79           | 1,037.68           |
| <b><u>Financial Ratio</u></b>        |                                                 |                    |                    |                                    |                    |                    |
| <b><u>Liquidity Ratio</u></b>        |                                                 |                    |                    |                                    |                    |                    |
| Current ratio (times)                | 1.95                                            | 2.07               | 2.16               | 6.03                               | 9.96               | 7.83               |
| Account receivable turnover (times)  | 3.36                                            | 3.96               | 5.14               | 2.61                               | 2.19               | 1.96               |
| Inventory turnover (times)           | 1.17                                            | 0.94               | 0.94               | 3.68                               | 3.38               | 4.42               |
| Account payable turnover (times)     | 6.87                                            | 8.51               | 9.13               | 8.45                               | 9.97               | 10.58              |
| <b><u>Profitability Ratio</u></b>    |                                                 |                    |                    |                                    |                    |                    |
| Gross profit margin (%)              | 43.53                                           | 49.74              | 51.26              | 20.43                              | 20.29              | 19.84              |
| Net profit margin (%)                | 3.26                                            | 5.49               | 5.35               | 6.97                               | 8.75               | 9.22               |
| Return on equity (%)                 | 4.94                                            | 8.45               | 8.15               | 5.94                               | 6.94               | 7.19               |
| <b><u>Efficiency Ratio</u></b>       |                                                 |                    |                    |                                    |                    |                    |
| Returns on assets (%)                | 6.73                                            | 8.92               | 7.91               | 6.47                               | 7.87               | 7.67               |
| <b><u>Financial Policy Ratio</u></b> |                                                 |                    |                    |                                    |                    |                    |
| Debt to equity ratio (times)         | 0.72                                            | 0.62               | 0.56               | 0.15                               | 0.09               | 0.12               |

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## **Analysis of Performance and Financial Status with Explanation**

### **Financial Status**

#### **Total Assets**

In 2012, the Company's total assets increased to Baht 2,167.39 million, or Baht 31.11 million due to increase in temporary investment of Baht 24.47 million, a decrease in account receivable of Baht 39.15 million, an increase in inventories of Baht 17.62, an increase in leasehold right of Baht 7.75 million, and in increase in deposit of Baht 9.46 million, respectively.

In 2013, the Company's total assets increased to 2,293.41 million Baht which about 28.52 million Baht more than 2012 due to increase in cash and cash equivalents of 20.32 million Baht, the decrease in account receivable of 130.57 million Baht, increase in other creditor of 5.62 million Baht, increase in inventories of 93.99 million Baht, increase in deferred income tax of 25.61 million Baht, increase in leasehold right of 9.98 million Baht, and increase in deposit of 4.61 million Baht, respectively.

#### **Account receivable**

In 2012, the Company had account receivable of Baht 489.30 million, decreasing by Baht 39.15 million. The proportions of current account receivable and account receivable overdue 0 - 3 months was at 98.38% and 1.62% of the total account receivable before allowance for doubtful accounts.

In 2013, the Company had account receivable of 358.73 million Baht decreasing by 130.57 million Baht due to the Company more focused on sales in cash and rushed in collecting debts. The proportions of current account receivable and account receivable overdue 0 - 3 months was at 99.13% and 0.87% of the total account receivable before allowance for doubtful accounts.

#### **Inventories**

In 2012, the inventories were recorded at 1,088.04 million Baht, an increase of 17.62 million Baht or 1.65%. Most of the increasing inventories covered finished products of subsidiary brands but work-in- process products, raw materials and supplies reduced.

In 2013, the inventories were recorded at 1,182.02 million Baht, an increase of 93.99 million Baht or 8.64%. Most of the increasing inventories covered finished products of subsidiary brands but work-in- process products, raw materials and supplies reduced.

#### **Property, Plant and Equipment**

In 2012, the book value of property, plant and equipment was worth at 367.86 million Baht, decreased by 8.06 million Baht from the last year figure. Most of the investment included furniture and fixture increasing by 28.11 million Baht, the building & building improvement increasing by Baht 6.52 million Baht, machinery and equipment increasing by 2.46 million Baht. At the end of 2012, the depreciation of tangible assets was recorded at 49.07 million Baht.

In 2013, the book value of property, plant and equipment was worth at 368.44 million Baht, increased by 0.57 million Baht from the last year figure. Most of the investment included machinery and equipment increasing by 7.52

million Baht, office supplies increasing by 1.02 million Baht, Computer and equipment increasing by 6.78 million Baht. At the end of 2013, the depreciation of tangible assets was recorded at 51.24 million Baht.

### **Performance**

In 2012, the net profit rate rose to 4.55% resulting in the return on total assets and the return on fixed assets at 9.12% and 37.38%, respectively.

In 2013, the net profit rate recorded as 5.35 % resulting in the return on total assets and the return on fixed assets at 7.91% and 43.19%, respectively.

### **Liabilities**

In 2012, the Company had the liabilities of 862.99 million Baht, a decrease of 34.78 million Baht from the last year. The shore-term loans from financial institutions and account payable dropped to 518.00 million Baht and 105.82 million Baht, respectively. Other creditors rose to 99.90 million Baht and other current liabilities were at 54.21 million Baht.

In 2013, the Company had the liabilities of 821.13 million Baht, a decrease of 41.87 million Baht from the last year. The shore-term loans from financial institutions and account payable dropped to 532 million Baht and 126.65 million Baht, respectively. Other creditors rose to 102.5 million Baht and other current liabilities decreased to 38.99 million Baht.

### **Shareholder's Equity**

In 2012, the Company's shareholders' equity totaled at 1,304.4 million Baht.

In 2013, the Company's shareholders' equity totaled at 1,472.28 million Baht, increased in 70.39 million Baht from last year figure.

### **Liquidity Analysis**

#### **Operation Cash flow**

In 2012, the Company's cash flow from operating activities was recorded at 139.36 million Baht comprising the net profit of 92.40 million Baht, depreciation and amortization of 57.97 million Baht, account receivable dropped by 39.15 million Baht, inventories increasing by 20.62 million Baht, account payable dropped by 26.09 million Baht, etc.

In 2013, the Company's cash flow from operating activities was recorded at 163.74 million Baht comprising the net profit of 117.15 million Baht, depreciation and amortization of 58.54 million Baht, account receivable dropped by 130.57 million Baht, Other creditor increased by 5.60 million Baht, inventories increased by 95.99 million Baht, Other current assets dropped by 20.99 million Baht, account payable increased by 21.53 million Baht, etc.

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**Investment Cash flow**

In 2012, the Company's cash flow for investment activities was recorded at 72.64 million Baht, The Company invested in temporary investment, building and equipment and intangible assets of 17.97 million Baht, 41.06 million Baht and 15.48 million Baht, respectively.

In 2013, the Company's cash flow for investment activities was recorded at 54.46 million Baht, The Company invested in temporary investment, building and equipment and intangible assets of 13.82 million Baht, 52.53 million Baht, and 17.11 million Baht, respectively.

**Funding Cash flow**

In 2012, the Company's cash flow for funding activities was recorded at 66.01 million Baht. The Company paid the dividend of 33.01 million Baht and repaid the shore-term loans from financial institutions of 33 million Baht.

In 2013, the Company's cash flow for funding activities was recorded at 88.96 million Baht. The Company paid the dividend of 39.96 million Baht and repaid the shore-term loans from financial institutions of 49 million Baht.

**Performance in 2012****Incomes from Sales****Subsidiary's Brandname Products**

The revenue from the sales of products under the subsidiaries' trademarks is significant to the Company's revenues since the products have better prices and gross profit margin than the OEM products. In addition, the Company can control the design, quantity, and the distribution period. The revenue from the sales of products under the subsidiaries' trademark with continuous growth as follows.

In 2012, the Company had the incomes from the sales of products under the subsidiaries' trademarks of Baht 1,824.70 million, an increase of Baht 350.68 million (or 23.79%), or 90.75% of the total sales income. The incomes from lingerie, underpants and other products were at 69.51%, 18.32% and 2.92% of the total sales incomes, respectively.

In 2013, the Company had the incomes from the sales of products under the subsidiaries' trademarks of 1,977.69 million Baht, an increase of 152.98 million Baht (8.38%), or 90.33% of the total sales income. The incomes from lingerie, underpants and other products were at 70.58%, 17.21%, and 2.54% of the total sales incomes, respectively.

**OEM Products**

In 2012, the incomes from the sales of OEM produces were at Baht 185.90 million, decreased by Baht 241.01 million or 56.45%. The proportion of incomes from the sales of OEM products to the total sales reduced to 9.25%. The incomes from the sales of OEM produces were divided into the sales of lingerie, underpants and other products at 6.11%, 2.07% and 1.07% of the total sales, respectively.

In 2013, the incomes from the sales of OEM produces were at 199.96 million Baht, increased by 14.06 million Baht or 7.85%. The incomes from the sales of OEM produces were divided into the sales of lingerie, underpants and other products at 6.70%, 1.70 % and 0.73 % of the total sales, respectively.





**Incomes from Sales Classified by Product (Unit: Million Baht)**

|                                                            | 2011     | %      | 2012     | %      | 2013     | %      |
|------------------------------------------------------------|----------|--------|----------|--------|----------|--------|
| <b>Incomes from OEM</b>                                    |          |        |          |        |          |        |
| <b>product sale</b>                                        |          |        |          |        |          |        |
| Bras                                                       | 275.41   | 14.49  | 122.81   | 6.11   | 146.77   | 6.70   |
| Underpants                                                 | 118.53   | 6.24   | 41.65    | 2.07   | 37.11    | 1.70   |
| Others                                                     | 32.97    | 1.73   | 21.44    | 1.07   | 16.08    | 0.73   |
| Total incomes from OEM                                     |          |        |          |        |          |        |
| product sale                                               | 426.91   | 22.46  | 185.90   | 9.25   | 199.96   | 9.13   |
| <b>Incomes from sale of subsidiary' brandname products</b> |          |        |          |        |          |        |
| Bras                                                       | 1,080.38 | 56.83  | 1,397.66 | 69.51  | 1,545.25 | 70.58  |
| Underpants                                                 | 347.63   | 18.29  | 368.40   | 18.32  | 376.84   | 17.21  |
| Others                                                     | 46.01    | 2.42   | 58.65    | 2.92   | 55.60    | 2.54   |
| Total incomes from sale of subsidiary' brandname products  | 1,474.02 | 77.54  | 1,824.71 | 90.75  | 1,977.69 | 90.33  |
| Total incomes from sale                                    | 1,900.93 | 100.00 | 2,010.61 | 100.00 | 2,177.65 | 100.00 |

**Cost of Goods Sold and Gross Profit Margin**

In 2012, the Company's cost of goods sold totaled Baht 1,012.59 million or 50.26% of the incomes from sales and services. The gross profit margin was recorded at Baht 1,002.13 million or 49.74% of the incomes from sales and services. The Company has emphasized on expansion of sales of products under the subsidiaries' trademarks consistently and strictly. Advertising budgets were allocated and marketing promotions were applied. New sales counters were opened at department stores, new retail stores and the Company's shops.

In 2013, the Company's cost of goods sold totaled 1,061.48 million Baht or 48.74% of the incomes from sales and services. The gross profit margin was recorded at 1,116.18 million Baht or 51.26% of the incomes from sales and services. The Company has emphasized on expansion of sales of products under the subsidiaries' trademarks consistently and strictly. Advertising budgets were allocated and marketing promotions were applied. New sales counters were opened at department stores, new retail stores and the Company's shops.

**Selling and Administrative Expenses and Operating Profit**

In 2012, the Company's selling and administrative expenses were at 823.55 million Baht, increasing by 105.31 million Baht (or 14.66%) or 40.52% of the total sales incomes. The Company has focused on expansion of sale counters resulting in higher leasing costs for sales and service areas. More salespersons were employed and their salaries increased

in accordance with the 300-Baht minimum wage. To increase sales volumes and market shares of products under the subsidiaries' trademarks, the budgets for advertising and marketing promotion were added consistently.

Accordingly, the Company had the operating profit of Baht 178.58 million or 8.86% of the incomes from sales and services.

In 2013, the Company's selling and administrative expenses were at 947.75 million Baht, increasing by 124.20 million Baht (14.66%) or 43.29 % of the total sales incomes. The Company has focused on expansion of sale counters resulting in higher leasing costs for sales and service areas. To increase sales volumes and market shares of products under the subsidiaries' trademarks, the budgets for advertising and marketing promotion were added consistently.

Accordingly, the Company had the operating profit of 168.42 million Baht or 7.73% of the incomes from sales and services.

#### **Interest Paid**

In 2012, the Company had interest paid of 22.03 million Baht, an increase by 5.34 million Baht.

In 2013, the Company had interest paid of 16.08 million Baht, decreasing by 5.95 million Baht.

#### **Corporate Income Tax**

The Company still received the corporate tax privilege for the profit received from Yasothon Factory. The overall tax privilege of reduction will be scheduled to complete in May 2, 2011, and will receive the tax privilege of 50% deduction of the normal rate till 2016.

In 2012, the Company had the corporate tax at 62.79 million Baht and 46.97 million Baht in 2013.

#### **Net Profit**

In 2012, the Company had the net profit of 111.52 million Baht, increasing by 48.73 million Baht or 77.62%

In 2013, the Company had the net profit of 117.15 million Baht increasing by 5.63 million or 5.05%

#### **Returns on Equity**

In 2012, the Company's basic earnings per share was at 0.32 Baht; and the Return on Equity (ROE) was at 8.45%

In 2013, the Company's basic earnings per share was at 0.34 Baht; and the Return on Equity (ROE) was at 8.15%

#### **Remuneration to Auditor**

From 2012 to 2013, the auditor, A.M.T Associate Office, was paid as follows:

| Unit: Baht              | 2012    | 2013    |
|-------------------------|---------|---------|
| Remuneration to auditor | 830,000 | 830,000 |
| Other payments          | -       | -       |

### **Audit Committee's Report for 2013**

The Audit Committee of Sabina Public Company Limited consists of 3 Independent Directors (Miss Rawewan Peyayopanakul, Mr. Yuthana Adipath, and Mr. Somchai Vanavit). Delegated by the Board, its key roles and responsibilities include reviewing the financial reports and disclosing in financial statements, reviewing good corporate governance, reviewing internal control systems and internal audit systems, reviewing conflict of interest issues of connected parties, reviewing risk management assessment system and appointing auditors for the year 2013. In 2013, the Audit Committee held 4 meetings (one agenda of the 4<sup>th</sup> meeting was considered by the Committee and the auditors without the management). Details of key performances in 2013 are summarized as follows:

1. Review the quarterly financial statements and the annual financial statements of 2013

The Audit Committee reviewed the quarterly financial statements and the 2013 annual financial statements which were prepared in accordance with Thai Financial Reporting Standards (TFRS) and International Financial Reporting Standards (IFRS), including laws and regulations, accounting standards and financial reporting standards specified in notifications of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). Moreover, the Audit Committee held one meeting with the auditors without the management.

2. Review the good corporate governance

The Audit Committee consistently reviewed and governed the operations to be in line with the Company's regulations and regulations set by SEC and SET, related laws and good corporate governance. The information and connected transactions under the SEC's notifications were disclosed accurately, completely and in a timely manner. The transparency and fairness have been focused.

3. Review the internal control system and internal auditing

The Audit Committee has reviewed the Company's internal control system and stated that the internal control system is still appropriate. The Audit Committee has approved the annual audit plan and reviewed whether it has operated according to the plan and monitored whether any corrections have been made.

4. Review the conflict of interest between connected parties

The Audit Committee quarterly reviewed connected transactions and transactions having conflict of interests from business or trade agreement with directors, management and connected parties as specified in the SET's regulations and related laws. The Company strongly complied

with laws and SET's regulations, including good corporate governance principles. The Company also disclosed information to the SET accurately and in a timely manner.

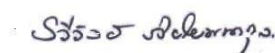
5. Review the risk management assessment systems

The Audit Committee reviewed the risk management assessment system by conducting quarterly reviews with the Board of Directors. The Board identified material risks, probability and impact. Accordingly, plans to mitigate and prevent risks have been determined.

6. Appointing the auditor for the year 2014

The Audit Committee selected and appointed A.M.T. Associates Office to be the Company's auditor based on its satisfactory performance in the last year. The Audit Committee reviewed the accuracy and completeness of the auditor's qualifications. Therefore, the Audit Committee proposed the Board for approval in the 2014 Annual General Meeting of Shareholders to appoint Professor Kesari Narongdej or Mrs. Natsarat Sarochananjin or Mr. Chaiyut Ungsuvitaya or Mr. Sumit Kopibul, Certified Public Accountant License No. 76, 4563, 3885 and 4885, respectively, from A.M.T. Associates Office, to be the Company's auditor for the year 2013.

For the Audit Committee



(Miss Rawewan Peyayopanakul)

Chairman of Audit Committee

## Board of Directors' Responsibility for Financial Report

The Board of Directors of Sabina Plc. are responsible for the financial statements and consolidated financial statements of the Company and subsidiary, including the financial information that appears on the annual report. The said financial statements are prepared according to the generally recognized accounting standard with appropriate accounting policies and usual practices adopted, with utmost care and best projection where essential information is sufficiently disclosed in the notes attached thereto for the benefit of shareholders and investors to ensure transparency.

The Board of Directors have and maintain an efficient internal control system to ensure that the accounting entries are made correctly, completely and sufficiently for the maintenance of properties and awareness of weaknesses so that frauds or irregularities can be prevented.

In this regard, the Board of Directors have appointed an Audit Committee to audit the financial reports and the internal control system to ensure the quality and efficiency thereof, and the Audit Committee's views related thereto appear on their report, which is attached to the annual report.

The financial statements and consolidated financial statements of Sabina Plc. and its subsidiary have been audited by A.M.T. Associate Office, the Company Auditor, during which the Board of Directors provided the information and documentations to assist the Auditor in the audit and expression of their views according to the generally recognized accounting standard, the details of which appear on the Auditor's Report attached to the Annual Report.

The Board of Directors are of the opinion that the Company's overall internal control system is efficient enough to ensure reliability of the financial statements and the consolidated financial statement of Sabina Plc. and its subsidiary for the year ending December 31, 2013 and compliance with the generally recognized accounting standard, the laws and regulations applicable thereto.



(Mr. Viroj Thanalongkorn)

Chairman of Board of Directors



(Mr. Bunchai Punturaumporn)

Chairman of the Executive Committee

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**Summary of Audit Report**

**The consolidated financial statements and the separate financial statements or the year ended December 31, 2013**

|                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Auditor name:      | Chaiyuth Angsuwithaya Certified Public Accountant Registration No. 3885                                                                                                                                                                                                                                                                                                                                                                                                             |
| Auditor's Opinion: | The financial statements present fairly, in all material respects, the consolidated financial position of Sabina Public Company Limited and its subsidiary as of December 31, 2013, and the result of their operations and their cash flows for the year then ended and the financial position of Sabina Public Company Limited as of December 31, 2013, the results of its operations and its cash flows for the year then ended in accordance with financial reporting standards. |

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**SABINA PUBLIC COMPANY LIMITED**  
**AND ITS SUBSIDIARY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

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**INDEPENDENT AUDITOR'S REPORT**

To The Shareholders and Board of Directors of Sabina Public Company Limited

- (1) I have audited the accompanying consolidated financial statements of Sabina Public Company Limited and its subsidiary, which comprise the consolidated statement of financial position as of December 31, 2013, the related consolidated statements of changes in shareholders' equity, consolidated statement of income, consolidated comprehensive income and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. I have also audited the separate financial statements for the same period of Sabina Public Company Limited.

**(2) Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

**(3) 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 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.

**(4) Opinion**

In my opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Sabina Public Company Limited and its subsidiary as of December 31, 2013, and the result of their operations and their cash flows for the year then ended and the financial position of Sabina Public Company Limited as of December 31, 2013, the results of its operations and its cash flows for the year then ended in accordance with financial reporting standards.

**(5) Other matter**

The consolidated financial statements of Sabina Public Company Limited and its subsidiary and the separate financial statements of Sabina Public Company Limited for the year ended December 31, 2012 audited by another auditor in my office, in accordance with auditing standards, and expressed an un-qualify opinion in his report dated February 20, 2013.



(CHAIYUTH ANGSUWITHAYA)

Certified Public Accountant

Registration No. 3885

A.M.T. & ASSOCIATES  
Bangkok, Thailand  
February 18, 2014

## SABINA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013

|                                         |           | Baht                             |                                    |                                  |                              |                                    |                                  |
|-----------------------------------------|-----------|----------------------------------|------------------------------------|----------------------------------|------------------------------|------------------------------------|----------------------------------|
|                                         |           | Consolidated Financial Statement |                                    |                                  | Separate Financial Statement |                                    |                                  |
| NOTE                                    |           | December 31,<br>2013             | December 31,<br>2012<br>(Restated) | January 1,<br>2012<br>(Restated) | December 31,<br>2013         | December 31,<br>2012<br>(Restated) | January 1,<br>2012<br>(Restated) |
| <b>ASSETS</b>                           |           |                                  |                                    |                                  |                              |                                    |                                  |
| <b>CURRENT ASSETS</b>                   |           |                                  |                                    |                                  |                              |                                    |                                  |
| Cash and cash equivalents               | 4         | 44,197,669.38                    | 23,882,384.65                      | 23,179,500.70                    | 14,612,617.79                | 4,488,306.44                       | 8,111,258.29                     |
| Temporary Investment                    |           |                                  |                                    |                                  |                              |                                    |                                  |
| - Mutual funds                          | 5.1       | 6,301,633.41                     | 20,119,315.31                      | 2,153,398.60                     | 6,301,633.41                 | 20,119,315.31                      | 2,153,398.60                     |
| - Available-for-sale securities         | 5.2       | 57,500,000.00                    | 66,000,000.00                      | 59,500,000.00                    | 57,500,000.00                | 66,000,000.00                      | 59,500,000.00                    |
| Trade receivables and other receivables |           |                                  |                                    |                                  |                              |                                    |                                  |
| Trade receivable - net                  |           |                                  |                                    |                                  |                              |                                    |                                  |
| - Related parties                       | 3.1       | -                                | -                                  | -                                | 425,739,171.78               | 375,900,191.07                     | 307,622,125.19                   |
| - Other parties                         | 6         | 358,726,523.98                   | 489,299,337.24                     | 528,450,435.06                   | -                            | -                                  | 13,500,000.00                    |
| Other receivables                       |           | 9,391,778.78                     | 3,769,178.77                       | 4,402,489.41                     | 798,685.59                   | 1,093,034.02                       | 498,285.59                       |
| Short-term loan to related party        | 3.2       | -                                | -                                  | -                                | 256,000,000.00               | 209,000,000.00                     | 207,000,000.00                   |
| Inventories - net                       | 7         | 1,182,023,744.13                 | 1,088,038,542.08                   | 1,070,421,666.69                 | 135,457,637.44               | 149,816,645.25                     | 210,235,563.62                   |
| Other current assets                    |           |                                  |                                    |                                  |                              |                                    |                                  |
| Value added taxes                       |           | -                                | -                                  | 235,361.57                       | -                            | -                                  | 235,361.57                       |
| Prepaid output VAT                      |           | 66,561,499.39                    | 45,792,181.79                      | 25,674,292.61                    | -                            | -                                  | -                                |
| Others                                  |           | 1,910,290.82                     | 1,781,774.45                       | 1,535,023.88                     | 392,895.38                   | 367,733.23                         | 403,731.78                       |
| Total current assets                    |           | 1,726,613,139.89                 | 1,738,682,714.29                   | 1,715,552,168.52                 | 896,802,641.39               | 826,785,225.32                     | 809,259,724.64                   |
| <b>NON-CURRENT ASSETS</b>               |           |                                  |                                    |                                  |                              |                                    |                                  |
| Investment in subsidiary company        | 1.4       | -                                | -                                  | -                                | 144,849,500.00               | 144,849,500.00                     | 144,849,500.00                   |
| Property, plant and equipment - net     | 8.11      | 368,435,802.05                   | 367,863,234.47                     | 375,923,110.52                   | 108,722,666.13               | 121,891,724.97                     | 141,896,297.39                   |
| Intangible asset                        | 9         | 7,541,339.20                     | 7,719,227.95                       | 8,888,873.35                     | 3,447.32                     | 186,229.99                         | 485,801.69                       |
| Deferred tax assets                     | 2.2, 17.4 | 123,108,740.92                   | 97,502,506.81                      | 79,880,964.70                    | 10,237,471.60                | 10,216,379.66                      | 16,292,975.09                    |
| Others non-current assets               |           |                                  |                                    |                                  |                              |                                    |                                  |
| Leasehold right - net                   | 10        | 35,952,682.64                    | 25,972,068.56                      | 18,223,588.87                    | -                            | -                                  | -                                |
| Deposit                                 |           | 31,756,868.55                    | 27,148,703.93                      | 17,692,637.58                    | -                            | -                                  | -                                |
| Total non-current assets                |           | 566,795,433.36                   | 526,205,741.72                     | 500,609,175.02                   | 263,813,085.05               | 277,143,834.62                     | 303,524,574.17                   |
| <b>TOTAL ASSETS</b>                     |           | <b>2,293,408,573.25</b>          | <b>2,264,888,456.01</b>            | <b>2,216,161,343.54</b>          | <b>1,160,615,726.44</b>      | <b>1,103,929,059.94</b>            | <b>1,112,784,298.81</b>          |

The accompanying notes to financial statements are an integral part of these financial statements.

(Signed).....Director

(Signed).....Director

## SABINA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013

Baht

|                                                                  | NOTE | Consolidated Financial Statement |                |                | Separarate Financial Statement |               |                |
|------------------------------------------------------------------|------|----------------------------------|----------------|----------------|--------------------------------|---------------|----------------|
|                                                                  |      | December 31,                     | December 31,   | January 1,     | December 31,                   | December 31,  | January 1,     |
|                                                                  |      | 2013                             | 2012           | 2012           | 2013                           | 2012          | 2012           |
|                                                                  |      |                                  | (Restated)     | (Restated)     |                                | (Restated)    | (Restated)     |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>                      |      |                                  |                |                |                                |               |                |
| CURRENT LIABILITIES                                              |      |                                  |                |                |                                |               |                |
| Bank overdrafts and short-term loans from financial institutions | 11   | 532,000,000.00                   | 581,000,000.00 | 614,000,000.00 | -                              | -             | 25,000,000.00  |
| Trade payables and other payables                                |      |                                  |                |                |                                |               |                |
| Trade payable - related parties                                  | 3.3  | -                                | -              | -              | 1,329,135.15                   | 1,766,036.12  | 1,629,252.98   |
| - other parties                                                  |      | 126,653,066.21                   | 105,816,754.05 | 132,233,515.34 | 70,982,984.05                  | 45,161,098.68 | 73,549,774.63  |
| Other payables                                                   | 12   | 102,500,442.98                   | 99,898,067.80  | 96,240,678.89  | 34,921,397.27                  | 29,300,258.35 | 27,630,907.85  |
| Other current liabilities                                        |      |                                  |                |                |                                |               |                |
| Accrued income tax                                               |      | 28,387,076.48                    | 38,262,410.25  | 25,895,334.69  | 3,987,255.01                   | 4,774,670.16  | 4,895,414.35   |
| Others                                                           |      | 10,604,410.99                    | 15,949,048.00  | 9,804,405.23   | 3,289,410.86                   | 1,976,851.86  | 1,429,422.62   |
| Total current liabilities                                        |      | 800,144,996.66                   | 840,926,280.10 | 878,173,934.15 | 114,510,182.34                 | 82,978,915.17 | 134,134,772.43 |
| NON-CURRENT LIABILITIES                                          |      |                                  |                |                |                                |               |                |
| Employees' benefit obligation                                    | 13   | 18,358,907.99                    | 19,592,207.00  | 17,489,957.00  | 8,427,357.99                   | 10,159,042.00 | 8,056,792.00   |
| Employees' deposit                                               |      | 2,621,000.00                     | 2,472,000.00   | 2,109,000.00   | -                              | -             | -              |
| Total non-current liabilities                                    |      | 20,979,907.99                    | 22,064,207.00  | 19,598,957.00  | 8,427,357.99                   | 10,159,042.00 | 8,056,792.00   |
| Total liabilities                                                |      | 821,124,904.65                   | 862,990,487.10 | 897,772,891.15 | 122,937,540.33                 | 93,137,957.17 | 142,191,564.43 |

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## SABINA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013

Baht

## Consolidated Financial Statement

## Separate Financial Statement

NOTE

December 31,  
2013December 31,  
2012  
(Restated)January 1,  
2012  
(Restated)December 31,  
2013December 31,  
2012  
(Restated)January 1,  
2012  
(Restated)

## SHAREHOLDERS' EQUITY

Share capital 14

Par value Baht 1 each in year 2013 and 2012

Par value Baht 5 each in year 2011

Authorized share

capital

- year 2011 Common share 69,500,000 shares of Baht 5 each

- year 2012 and 2013 Common share 347,500,000 shares

of Baht 1 each

347,500,000.00

347,500,000.00

347,500,000.00

347,500,000.00

347,500,000.00

347,500,000.00

Issued and paid - up share

capital

- year 2011 Common share 69,500,000 shares of Baht 5 each

- year 2012 and 2013 Common share 347,500,000 shares

of Baht 1 each

347,500,000.00

347,500,000.00

347,500,000.00

347,500,000.00

347,500,000.00

347,500,000.00

Premium on share capital

275,164,000.00

275,164,000.00

275,164,000.00

275,164,000.00

275,164,000.00

275,164,000.00

Retained earnings

Appropriated –  
legal reserve 15

45,950,000.00

41,950,000.00

38,720,000.00

34,750,000.00

34,750,000.00

34,720,000.00

Unappropriated

643,789,149.44

570,603,449.75

495,328,933.23

422,819,186.11

389,132,102.77

353,968,734.38

Total other components of equity

159,880,519.16

166,680,519.16

161,675,519.16

(42,555,000.00)

(35,755,000.00)

(40,760,000.00)

Total equity of the

1,472,283,668.60

1,401,897,968.91

1,318,388,452.39

1,037,678,186.11

1,010,791,102.77

970,592,734.38

Parent

Non-controlling

interests

-

-

-

-

-

-

Total shareholders' equity

1,472,283,668.60

1,401,897,968.91

1,318,388,452.39

1,037,678,186.11

1,010,791,102.77

970,592,734.38

TOTAL LIABILITIES AND

2,293,408,573.25

2,264,888,456.01

2,216,161,343.54

1,160,615,726.44

1,103,929,059.94

1,112,784,298.81

SHAREHOLDERS' EQUITY

The accompanying notes to financial statements are an integral part of these  
financial statements.

(Signed).....Director

(Signed).....Director

## SABINA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

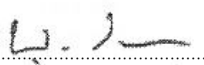
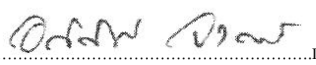
## CONSOLIDATED FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2013

B A H T

|                                                    | NOTE | Other components of equity                       |                                        |                               |                 |                                                                                             |                                                                      |                                           |                                     |                                 |                                  |
|----------------------------------------------------|------|--------------------------------------------------|----------------------------------------|-------------------------------|-----------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------|-------------------------------------|---------------------------------|----------------------------------|
|                                                    |      | Issued and<br><br>paid - up<br><br>share capital | Premium<br><br>on<br><br>share capital | Retained earnings             |                 | Net book value of<br>subsidiary company<br>which exceed<br>cost of investment<br>(Note 1.5) | Gain (loss) from<br>valuation of<br>available-for-sale<br>investment | Total<br>other<br>components<br>of equity | Total<br>Equity<br>of<br>the Parent | Non<br>Controlling<br>Interests | Total<br>Shareholders'<br>Equity |
|                                                    |      |                                                  |                                        | Retained earnings             |                 |                                                                                             |                                                                      |                                           |                                     |                                 |                                  |
|                                                    |      |                                                  |                                        | Appropriated<br>legal reserve | Unappropriated  |                                                                                             |                                                                      |                                           |                                     |                                 |                                  |
| Balance as of January 1, 2012, previously reported |      | 347,500,000.00                                   | 275,164,000.00                         | 38,720,000.00                 | 415,447,968.53  | 202,435,519.16                                                                              | (40,760,000.00)                                                      | 161,675,519.16                            | 1,238,507,487.69                    | -                               | 1,238,507,487.69                 |
| The effects of changes in accounting policy        |      |                                                  |                                        |                               |                 |                                                                                             |                                                                      |                                           |                                     |                                 |                                  |
| - Income tax                                       | 2.2  | -                                                | -                                      | -                             | 79,880,964.70   | -                                                                                           | -                                                                    | -                                         | 79,880,964.70                       | -                               | 79,880,964.70                    |
| Balance of January 1, 2012, adjusted               |      | 347,500,000.00                                   | 275,164,000.00                         | 38,720,000.00                 | 495,328,933.23  | 202,435,519.16                                                                              | (40,760,000.00)                                                      | 161,675,519.16                            | 1,318,388,452.39                    | -                               | 1,318,388,452.39                 |
| Changes in shareholders' equity for the year       |      |                                                  |                                        |                               |                 |                                                                                             |                                                                      |                                           |                                     |                                 |                                  |
| Appropriated legal reserve                         |      | -                                                | -                                      | 3,230,000.00                  | (3,230,000.00)  | -                                                                                           | -                                                                    | -                                         | -                                   | -                               | -                                |
| Dividend Paid                                      | 16   | -                                                | -                                      | -                             | (33,012,500.00) | -                                                                                           | -                                                                    | -                                         | (33,012,500.00)                     | -                               | (33,012,500.00)                  |
| Total comprehensive income(loss) for the year      |      | -                                                | -                                      | -                             | 111,517,016.52  | -                                                                                           | 5,005,000.00                                                         | 5,005,000.00                              | 116,522,016.52                      | -                               | 116,522,016.52                   |
| Balance as of December 31, 2012                    |      | 347,500,000.00                                   | 275,164,000.00                         | 41,950,000.00                 | 570,603,449.75  | 202,435,519.16                                                                              | (35,755,000.00)                                                      | 166,680,519.16                            | 1,401,897,968.91                    | -                               | 1,401,897,968.91                 |
| Balance as of January 1, 2013                      |      | 347,500,000.00                                   | 275,164,000.00                         | 41,950,000.00                 | 471,605,942.94  | 202,435,519.16                                                                              | (34,260,000.00)                                                      | 168,175,519.16                            | 1,304,395,462.10                    | -                               | 1,304,395,462.10                 |
| The effects of changes in accounting policy        |      |                                                  |                                        |                               |                 |                                                                                             |                                                                      |                                           |                                     |                                 |                                  |
| - Income tax                                       | 2.2  | -                                                | -                                      | -                             | 98,997,506.81   | -                                                                                           | (1,495,000.00)                                                       | (1,495,000.00)                            | 97,502,506.81                       | -                               | 97,502,506.81                    |
| Balance of January 1, 2013, adjusted               |      | 347,500,000.00                                   | 275,164,000.00                         | 41,950,000.00                 | 570,603,449.75  | 202,435,519.16                                                                              | (35,755,000.00)                                                      | 166,680,519.16                            | 1,401,897,968.91                    | -                               | 1,401,897,968.91                 |
| Changes in shareholders' equity for the year       |      |                                                  |                                        |                               |                 |                                                                                             |                                                                      |                                           |                                     |                                 |                                  |
| Appropriated legal reserve                         |      | -                                                | -                                      | 4,000,000.00                  | (4,000,000.00)  | -                                                                                           | -                                                                    | -                                         | -                                   | -                               | -                                |
| Dividend Paid                                      | 16   | -                                                | -                                      | -                             | (39,962,500.00) | -                                                                                           | -                                                                    | -                                         | (39,962,500.00)                     | -                               | (39,962,500.00)                  |
| Total comprehensive income(loss) for the year      |      | -                                                | -                                      | -                             | 117,148,199.69  | -                                                                                           | (6,800,000.00)                                                       | (6,800,000.00)                            | 110,348,199.69                      | -                               | 110,348,199.69                   |
| Balance as of December 31, 2013                    |      | 347,500,000.00                                   | 275,164,000.00                         | 45,950,000.00                 | 643,789,149.44  | 202,435,519.16                                                                              | (42,555,000.00)                                                      | 159,880,519.16                            | 1,472,283,668.60                    | -                               | 1,472,283,668.60                 |

The accompanying notes to financial statements are an integral part of these financial statements.

(Signed)..........Director(Signed)..........Director

## BAHT

The accompanying notes to financial statements are an integral part of these financial statements.

(Signed).....Director

## SABINA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

|                              |                                          | B A H T                          |                  |                                 |                 |
|------------------------------|------------------------------------------|----------------------------------|------------------|---------------------------------|-----------------|
|                              |                                          | Consolidated Financial Statement |                  | Separate Financial Statement    |                 |
|                              |                                          | For the year ended December 31,  |                  | For the year ended December 31, |                 |
| NOTE                         |                                          | 2013                             | 2012             | 2013                            | 2012            |
|                              |                                          |                                  | <i>Restated</i>  |                                 | <i>Restated</i> |
| REVENUES                     |                                          |                                  |                  |                                 |                 |
|                              | Revenues from sales - net                | 2,177,655,463.11                 | 2,010,608,851.64 | 723,745,408.37                  | 690,837,953.13  |
|                              | Revenues from services                   | -                                | 4,112,944.85     | 63,240,098.80                   | 72,702,345.70   |
|                              | Other incomes                            | 11,775,430.70                    | 17,760,955.75    | 11,809,978.98                   | 16,055,851.88   |
|                              | Total Revenues                           | 3.4                              | 2,189,430,893.81 | 798,795,486.15                  | 779,596,150.71  |
| EXPENSES                     |                                          |                                  |                  |                                 |                 |
|                              | Cost of sales and services               | 1,061,479,869.41                 | 1,012,592,014.26 | 630,830,791.42                  | 608,626,844.41  |
|                              | Selling expenses                         | 750,909,661.19                   | 633,420,273.03   | 1,440,965.33                    | 2,998,323.56    |
|                              | Administrative expenses                  | 196,844,626.00                   | 190,131,395.04   | 79,674,069.01                   | 81,346,838.38   |
|                              | Financial expenses                       | 16,080,255.65                    | 22,032,208.34    | -                               | 1,171,258.38    |
|                              | Total Expenses                           | 3.4                              | 2,025,314,412.25 | 711,945,825.76                  | 694,143,264.73  |
|                              | PROFIT BEFORE INCOME TAX                 |                                  | 164,116,481.56   | 86,849,660.39                   | 85,452,885.98   |
|                              | INCOME TAX EXPENSE                       | 17                               | (46,968,281.87)  | (13,200,077.05)                 | (17,247,017.59) |
|                              | INCOME FOR THE YEARS                     |                                  | 117,148,199.69   | 73,649,583.34                   | 68,205,868.39   |
| Net income attributable to : |                                          |                                  |                  |                                 |                 |
|                              | Equity holders of the parent             |                                  | 117,148,199.69   | 73,649,583.34                   | 68,205,868.39   |
|                              | Non - controlling interests              |                                  | -                | -                               | -               |
|                              |                                          |                                  | 117,148,199.69   | 73,649,583.34                   | 68,205,868.39   |
| BASIC EARNINGS PER SHARE     |                                          |                                  |                  |                                 |                 |
|                              | Earnings (loss) per share (Baht)         |                                  | 0.34             | 0.21                            | 0.20            |
|                              | Number of weighted average common shares |                                  |                  |                                 |                 |
|                              | (shares)                                 | 18                               | 347,500,000      | 347,500,000                     | 347,500,000     |

The accompanying notes to financial statements are an integral part of these financial statements.

(Signed)..........Director(Signed)..........Director



## SABINA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

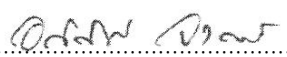
## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

| NOTE                                                         | B A H T                          |                |                                 |                |
|--------------------------------------------------------------|----------------------------------|----------------|---------------------------------|----------------|
|                                                              | Consolidated Financial Statement |                | Separate Financial Statement    |                |
|                                                              | For the year ended December 31,  |                | For the year ended December 31, |                |
|                                                              | 2013                             | 2012           | 2013                            | 2012           |
|                                                              |                                  | (Restated)     |                                 | (Restated)     |
| INCOME FOR THE YEARS                                         | 117,148,199.69                   | 111,517,016.52 | 73,649,583.34                   | 68,205,868.39  |
| Other comprehensive income;                                  |                                  |                |                                 |                |
| Gain (loss) from valuation of available-for-sale investment  | (8,500,000.00)                   | 6,500,000.00   | (8,500,000.00)                  | 6,500,000.00   |
| Income tax related to other components of equity 17.2        | 1,700,000.00                     | (1,495,000.00) | 1,700,000.00                    | (1,495,000.00) |
| Other comprehensive income (loss) for the years - net of tax | (6,800,000.00)                   | 5,005,000.00   | (6,800,000.00)                  | 5,005,000.00   |
| Total comprehensive income for the years                     | 110,348,199.69                   | 116,522,016.52 | 66,849,583.34                   | 73,210,868.39  |
| Total comprehensive income attributable to :                 |                                  |                |                                 |                |
| Equity holders of the parent                                 | 110,348,199.69                   | 116,522,016.52 | 66,849,583.34                   | 73,210,868.39  |
| Non - controlling interests                                  | -                                | -              | -                               | -              |
|                                                              | 110,348,199.69                   | 116,522,016.52 | 66,849,583.34                   | 73,210,868.39  |

The accompanying notes to financial statements are an integral part of these financial statements.

(Signed)..........Director

(Signed)..........Director

## SABINA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

B A H T

| NOTE                                                           | Consolidated Financial Statement |                 | Separate Financial Statement    |                 |
|----------------------------------------------------------------|----------------------------------|-----------------|---------------------------------|-----------------|
|                                                                | For the year ended December 31,  |                 | For the year ended December 31, |                 |
|                                                                | 2013                             | 2012            | 2013                            | 2012            |
|                                                                |                                  | (Restated)      |                                 | (Restated)      |
| CASH FLOWS FROM OPERATING ACTIVITIES :                         |                                  |                 |                                 |                 |
| Net profit                                                     | 117,148,199.69                   | 111,517,016.52  | 73,649,583.34                   | 68,205,868.39   |
| Adjustments to reconcile net profit to net cash proceed (paid) |                                  |                 |                                 |                 |
| Depreciation                                                   | 8                                | 51,238,215.32   | 49,074,424.68                   | 17,950,854.94   |
| Amortization                                                   | 9, 10                            | 7,302,395.67    | 8,899,663.02                    | 182,782.67      |
| Allowance for obsolete inventories                             | 7                                | 2,000,000.00    | 3,000,000.00                    | -               |
| Employees' benefits obligation                                 | 13                               | 3,087,580.99    | 4,769,730.00                    | 849,095.99      |
| Loss (gain) from disposal of property                          |                                  | (633,937.42)    | (1,817,501.17)                  | (570,540.30)    |
| Unrealised (gain) loss on exchange rate                        |                                  | (696,793.14)    | (329,399.72)                    | 94,353.97       |
| Interest expenses                                              |                                  | 16,080,255.65   | 22,032,208.34                   | -               |
| Current tax expense                                            | 17                               | 70,874,515.98   | 81,906,387.16                   | 11,521,168.99   |
| Deferred tax expense (income)                                  | 2.2, 17.1                        | (23,906,234.11) | (19,116,542.10)                 | 1,678,908.06    |
| (Increase) decrease in trade receivable - related parties      |                                  | -               | -                               | (49,838,980.71) |
| (Increase) decrease in trade receivable - other parties        |                                  | 130,572,813.26  | 39,151,097.82                   | -               |
| (Increase) decrease in other receivable                        |                                  | (5,622,600.01)  | 633,310.64                      | 294,348.43      |
| (Increase) decrease in inventories                             |                                  | (95,985,202.05) | (20,616,875.39)                 | 14,359,007.81   |
| (Increase) decrease in other current assets                    |                                  | (20,897,833.97) | (20,129,278.18)                 | (25,162.15)     |
| (Increase) decrease in other non-current assets                |                                  | (4,608,164.62)  | (9,456,066.35)                  | -               |
| Increase (decrease) in trade payables - related party          |                                  | -               | -                               | (436,900.97)    |
| Increase (decrease) in trade payables - other parties          |                                  | 21,533,105.30   | (26,087,361.57)                 | 25,727,531.40   |
| Increase (decrease) other payables                             |                                  | 2,131,530.77    | 3,131,398.67                    | 5,621,138.92    |
| Increase (decrease) in other current liabilities - others      |                                  | (5,344,637.01)  | 6,144,642.77                    | 1,312,559.00    |
| Others non-current liabilities                                 |                                  |                 |                                 |                 |
| Payment of employees' benefit                                  | 13                               | (4,320,880.00)  | (2,667,480.00)                  | (2,580,780.00)  |
| Increase (decrease) in - Employee deposit                      |                                  | 149,000.00      | 363,000.00                      | -               |
| Net cash received (paid) from operation                        |                                  | 260,101,330.30  | 230,402,375.14                  | 99,788,969.39   |
| Payment of interest expenses                                   |                                  | (15,609,411.24) | (21,506,218.10)                 | -               |
| Payment of Corporate income tax                                |                                  | (80,749,849.75) | (69,539,311.60)                 | (12,308,584.14) |
| Net cash provided by (Used in) operating activities            |                                  | 163,742,069.31  | 139,356,845.44                  | 87,480,385.25   |

## SABINA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

B A H T

|                                                                  | NOTE  | B A H T                          |                 |                                 |                 |
|------------------------------------------------------------------|-------|----------------------------------|-----------------|---------------------------------|-----------------|
|                                                                  |       | Consolidated Financial Statement |                 | Separate Financial Statement    |                 |
|                                                                  |       | For the year ended December 31,  |                 | For the year ended December 31, |                 |
|                                                                  |       | 2013                             | 2012            | 2013                            | 2012            |
|                                                                  |       |                                  | (Restated)      |                                 | (Restated)      |
| <b>CASH FLOWS FROM INVESTING</b>                                 |       |                                  |                 |                                 |                 |
| <b>ACTIVITIES :</b>                                              |       |                                  |                 |                                 |                 |
| Cash proceed (paid) on sales (purchase) for temporary investment | 5.1   | 13,817,681.90                    | (17,965,916.71) | 13,817,681.90                   | (17,965,916.71) |
| Cash paid for short-term loan to subsidiary                      | 3.2   | -                                | -               | (47,000,000.00)                 | (2,000,000.00)  |
| Acquisition of property, plant and equipment                     | 8     | (52,526,622.76)                  | (41,055,191.40) | (4,781,903.10)                  | (2,371,962.24)  |
| Cash received from sales of property and equipment               |       | 1,349,777.28                     | 1,858,143.94    | 570,647.30                      | 564,354.20      |
| Acquisition of intangible assets                                 | 9, 10 | (17,105,121.00)                  | (15,478,497.31) | -                               | -               |
| Net cash provide by (Used in) investing activities               |       | (54,464,284.58)                  | (72,641,461.48) | (37,393,573.90)                 | (21,773,524.75) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |       |                                  |                 |                                 |                 |
| Payment of dividend                                              | 16    | (39,962,500.00)                  | (33,012,500.00) | (39,962,500.00)                 | (33,012,500.00) |
| Bank overdrafts and short-term loans received from               |       |                                  |                 |                                 |                 |
| - financial institutions increase(decrease)                      |       | (49,000,000.00)                  | (33,000,000.00) | -                               | (25,000,000.00) |
| Net Cash Provided by (Used in) Financing Activities              |       | (88,962,500.00)                  | (66,012,500.00) | (39,962,500.00)                 | (58,012,500.00) |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS - NET</b>    |       |                                  |                 |                                 |                 |
|                                                                  |       | 20,315,284.73                    | 702,883.95      | 10,124,311.35                   | (3,622,951.84)  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEARS</b>             |       |                                  |                 |                                 |                 |
|                                                                  | 4     | 23,882,384.65                    | 23,179,500.70   | 4,488,306.44                    | 8,111,258.29    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEARS</b>                   |       |                                  |                 |                                 |                 |
|                                                                  | 4     | 44,197,669.38                    | 23,882,384.65   | 14,612,617.79                   | 4,488,306.45    |

The accompanying notes to financial statements are an integral part of these financial statements.

(Signed).....Director

(Signed).....Director

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**SABINA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2013****1. GENERAL INFORMATION****1.1 General matter**

SABINA PUBLIC COMPANY LIMITED (Formerly J & D Apparel Company Limited) was incorporated as a limited company under the Civil and Commercial Code on August 17, 1995, and changed its status to a Public Company Limited under the Public Company Limited Act and changed its name to be SABINA PUBLIC COMPANY LIMITED on May 18, 2007. The address of the head office is 177 Moo 8, Wang kaituen Sub-district, Han-ka District, Chai-nart Province. There is a plant as its branch at 236 Moo 10, Doo Tung Sub-district, Mueng District, Yasothon Province. The company gets privilege in investment promotion from The Board of Investment. On December 28, 2010, the company established two factory's branches which located at 81 and 106 Moo 6, Nhong-Boht Sub-district, Nang-Rong District, Burirum province. The company operates its business in Thailand and the main business is producing and distributing ready made clothes which main product is lady's underwear.

SABINA FAREAST COMPANY LIMITED which is a subsidiary, was incorporated as a limited company under the Civil and Commercial Code on January 11, 1977. The address of the head office is 12 Arun-Amarin Road, Arun-Amarin Sub-district, Bangkok Noi District, Bangkok Province. There are plants, which Ta Pra plant located at 93/8 Soi Pet Ka Seam 7, Pet Ka Seam Road, TA PA Sub-district, Bangkok Yai District, Bangkok Province, and Budhamonthon Sai 5 plant located at Rai Keing Sub-district, Sam Pran District, Nakhonpathom Province. The subsidiary company operates its business in Thailand and the main business is producing and distributing ready made clothes which main product is lady's underwear.

**1.2 Basis for preparation of financial statements**

The financial statements of the company have been prepared in accordance with financial reporting-standards including guidance promulgated by the Federation of Accounting Professional.

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

An English language version of the financial statements has been prepared from the statutory financial statements that were issued in Thai language. In case of conflict or difference in understanding, the financial statements in Thai language shall prevail.

**1.3 Basis for preparation of consolidated financial statements**

The consolidated financial statements incorporated the financial statements of Sabina Public Company Limited and Sabine Fareast Company Limited, its subsidiary, which 99.90 % of share hold by the Company (treated 100% in the consolidate preparation), and being under common controls with the Company. For the purpose of

the consolidation, all significant inter-company transactions and all inter-company account balances have been eliminated.

#### 1.4 **Related parties**

Enterprises that directly or indirectly control by the Company, or are under common shareholders/ director controls are as follows:

| Name                       | Type of business                                                   | Relationship                       | Share holding (%) |
|----------------------------|--------------------------------------------------------------------|------------------------------------|-------------------|
| <u>Subsidiary</u>          |                                                                    |                                    |                   |
| - Sabina Fareast Co., Ltd. | Producing and distributing ready made clothes and lady's underwear | Shares holding and joint directors | 100.00%           |

#### 1.5 **Restructure of company and its subsidiary's shareholders structure**

In March 2007, the Company acquired 448,495 shares of a subsidiary's capital shares from its existing shareholder, who is the related parson, at par value of Baht 100 per share, while the book value of the share as of December 31, 2006 is approximately Baht 247.29 million and booked as investment in subsidiary amounting to Baht 44.85 million, which equivalent to 99.67% of share holding in the subsidiary. Since January 1, 2007, in preparation of consolidated financial statement, the Company assumed that its interest in the subsidiary is equivalent to 100.00%. The Company has presented the difference of Baht 202.44 million, between book value of the subsidiary company of Baht 247.29 million and cost of the investment of Baht 44.85 million as "net book value of subsidiary company which exceed cost of investment" in shareholders' equity of consolidated financial statements.

Subsequently, in April 2007 the subsidiary has increased its registered capital for another Baht 100 million. The Company bought for the whole increased capital of subsidiary of 1 million shares at par value of Baht 100 per share, totaling of Baht 100 million. As a result, the company's investment in subsidiary increased from Baht 44.85 million to Baht 144.85 million. There for the proportion of shareholding in the subsidiary increased to be 99.99%.

#### 1.6 **Adoption of new financial reporting standards**

##### 1.6.1 **Financial reporting standards which are effective for the current year**

During the year, the Company has adopted the revised and new financial reporting standards issued by the Federation of Accounting Professions which are effective for financial statements periods beginning on or after January 1, 2013 as follows;

|                       |                                                  |
|-----------------------|--------------------------------------------------|
| TAS 12                | Income Taxes                                     |
| TAS 21 (revised 2009) | The Effects of Changes in Foreign Exchange Rates |
| TFRS 8                | Operation Segments                               |

The adoptions of the above financial reporting standards in the current period do not have material effect on the financial statements except for those mentioned in notes 2.2 to financial statement.

### 1.6.2 Financial reporting standards which are not effective for the current year

Since year 2010 until the end of year 2013, the Federation of Accounting Professions has issued the revised and new accounting standard, financial reporting standards, accounting standard interpretation and financial reporting standard interpretations, which are effective for financial statements period beginning on or after January 1 in the year indicated as follows:

|                                                     |                                                                                                        | <u>Year effective</u> |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------|
| <b>Accounting Standard</b>                          |                                                                                                        |                       |
| TAS                                                 | 1 Presentation of Financial Statements (revised 2012)                                                  | 2014                  |
| TAS                                                 | 12 Income Taxes (revised 2012)                                                                         | 2014                  |
| TAS                                                 | 17 Leases (revised 2012)                                                                               | 2014                  |
| TAS                                                 | 18 Revenue (revised 2012)                                                                              | 2014                  |
| TAS                                                 | 24 Related Party Disclosures (revised 2012)                                                            | 2014                  |
| TAS                                                 | 28 Investments in Associates (revised 2012)                                                            | 2014                  |
| TAS                                                 | 31 Interests in Joint Venture (revised 2012)                                                           | 2014                  |
| TAS                                                 | 34 Interim Financial Reporting (revised 2012)                                                          | 2014                  |
| <b>Financial Reporting Standard</b>                 |                                                                                                        |                       |
| TFRS                                                | 2 Share - Based Payments (revised 2012)                                                                | 2014                  |
| TFRS                                                | 3 Business Combinations (revised 2012)                                                                 | 2014                  |
| TFRS                                                | 4 Insurance Contracts (revised 2012)                                                                   | 2016                  |
| TFRS                                                | 5 Non - current Assets Held for Sale and Discontinued Operations (revised 2012)                        | 2014                  |
| TFRS                                                | 8 Operating Segments (revised 2012)                                                                    | 2014                  |
| <b>Accounting Standard Interpretations</b>          |                                                                                                        |                       |
| TSIC                                                | 15 Operating Leases - Incentives                                                                       | 2014                  |
| TSIC                                                | 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease                        | 2014                  |
| TSIC                                                | 29 Service Concession Arrangements: Disclosures                                                        | 2014                  |
| TSIC                                                | 32 Intangible Assets - Web Site Costs                                                                  | 2014                  |
| <b>Financial Reporting Standard Interpretations</b> |                                                                                                        |                       |
| TFRIC                                               | 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities                             | 2014                  |
| TFRIC                                               | 4 Determining whether an Arrangements contains a Lease                                                 | 2014                  |
| TFRIC                                               | 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 2014                  |
| TFRIC                                               | 7 Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies    | 2014                  |
| TFRIC                                               | 10 Interim Financial Reporting and Impairment                                                          | 2014                  |
| TFRIC                                               | 12 Service Concession Arrangements                                                                     | 2014                  |
| TFRIC                                               | 13 Customer Loyalty Programmers                                                                        | 2014                  |
| TFRIC                                               | 17 Distributions of Non - cash Assets to Owners                                                        | 2014                  |
| TFRIC                                               | 18 Transfers of Assets from Customers                                                                  | 2014                  |

The management of the Company has assessed that TAS 1 (revised 2012), TAS 12 (revised 2012), TAS 17 (revised 2012), TAS 18 (revised 2012), TAS 24 (revised 2012), TAS 34 (revised 2012) and TFRS 8 (revised 2012) will not have material impact on the financial statements when it is applied. For the other TAS, TFRS, TSIC and TFRIC are not relevant to the Company's business, therefore they do not have impact on the financial statement when they are applied.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1.1 Revenue and expense recognition**

Income from Sales are recognized when the significant risks and reward of ownership of products is transferred to the buyer.

Income from Service is recognized when services are rendered.

#### **2.1.2 Cash and cash equivalents**

Cash and cash equivalents presented in the statement of cash flows consist of cash on hand, and banks saving and current deposits with an original maturity of three months or less.

#### **2.1.3 Temporary investment**

Investment which the Company intend to held less than one year period, consists of investment Mutual fund, Trading security, Available-for-sale security, other investment, debts instrument due within one year.

Investment in trading security and mutual fund are presented in fair value. Change in the value of the investments is recorded as gain or loss in the statements of income.

Investment in available-for-sale security is presented in fair value. Change in the value of the investments is recorded as premium on share capital in shareholders' equities.

Fair value of the marketable securities is calculated from the latest bidding price of the securities on the last working day of the year of the Stock Exchange of Thailand.

If the category of investment is changed, the Company will adjust the value of the investment using fair value of the changed date. Differences between the book value and fair value on the changed date is recorded as gain or loss in the statements of income or recorded as capital premium or (deficit) from change in value of shareholders' equities depends on type of the investment that is changed.

#### **2.1.4 Allowance for doubtful accounts**

Allowance for doubtful accounts is estimated based on those receivables that might be un-collectible. The estimation is based upon the experience and the current status of existing receivables.

#### **2.1.5 Inventories**

Inventories, working process and raw material are stated at the lower of cost (FIFO) or net realizable value. Company has estimated amount of inventory impairment or inventory obsolete to be expenses by considering of the condition of inventories and trend of consumer preference.

### 2.1.6 Investments in subsidiary

Investments in subsidiary, which is the companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the financial and operating policies, has been consolidated. Subsidiary is consolidated from the date on which effective control is transferred to the Group and is no longer consolidated from the date of disposal. All inter-company transactions, balances and unrealized gains (losses) on transactions between group companies have been eliminated.

Investment in subsidiary (in the Separate financial statements) is stated at the cost method.

### 2.1.7 Property, plant and equipments

Lands and land improvements are stated at cost.

Building, building improvement and equipment stated at cost less accumulated depreciation.

Depreciation is computed by the straight-line method over the estimated useful life as follows;

|                                   | Year |
|-----------------------------------|------|
| Building and building improvement | 20   |
| Machinery and equipment           | 10   |
| Computer equipment                | 3    |
| Fixture, equipment and furniture  | 5    |
| Vehicles                          | 5    |

### 2.1.8 Foreign currency transactions

Transactions in foreign currencies are converted at the exchange rate of the transaction date. Assets and liabilities in foreign currencies at the end of period are converted at average (buying and selling) rate that Bank of Thailand announce at date of statement of financial position. Gain or loss from conversion is included in the Statements of Income.

### 2.1.9 Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities at the reporting date and tax base of the relating assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.



#### 2.1.10 Employees benefits

Salaries, wages, bonuses, contributions to the social security fund, provident fund and other benefits are recognized as expenses when incurred.

Severance Payment as specified in Thai Law is recognized as expenses in the income statement along the service period of employees. The Company's post - employment benefit obligations are estimated by a qualified actuary under the actuarial assumption using the Projected Unit Credit Method. However, the actual benefit obligation may be different from the estimate.

The Company recognized the actuarial gains or losses arising from defined benefit plan in the period incurred in other comprehensive income.

#### 2.1.11 Accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times 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.

#### 2.1.12 Basic earnings (loss) per share

Basic earnings (loss) per share is determined by dividing the net profit (loss) by the weighted average number of issued and paid-up of common shares at the end of accounting period.

### 2.2 Effects on change of accounting policy

In the current period, the Company and its subsidiaries have changed the accounting policy of income tax by adopting the TAS 12 – Income tax, using a retrospective adjustments to the previous period financial statements using for comparative in the financial statements as if the Company and its subsidiaries have been recording the income tax and deferred income tax since before the change.

The monetary amount of the adjustments that affect the statement of positions as at December 31, 2012 and January 1, 2012 are as follows:

|                                 | Consolidated financial statements |                                          |                 |                        |                                          |                 |
|---------------------------------|-----------------------------------|------------------------------------------|-----------------|------------------------|------------------------------------------|-----------------|
|                                 | As at December 31, 2012           |                                          |                 | As at January 1, 2012  |                                          |                 |
|                                 | As previously reported            | Effects from Change of Accounting policy | Adjusted        | As previously reported | Effects from Change of Accounting policy | Adjusted        |
| <b>ASSETS</b>                   |                                   |                                          |                 |                        |                                          |                 |
| Deferred income tax assets -net | -                                 | 97,502,506.81                            | 97,502,506.81   | -                      | 79,880,964.70                            | 79,880,964.70   |
| <b>Shareholders'</b>            |                                   |                                          |                 |                        |                                          |                 |
| Retained earnings               |                                   |                                          |                 |                        |                                          |                 |
| -Un-                            | 471,605,942.94                    | 98,997,506.81                            | 570,603,449.75  | 415,447,968.53         | 79,880,964.70                            | 495,328,933.23  |
| Gain (loss) on                  |                                   |                                          |                 |                        |                                          |                 |
| Of available for securities     | (34,260,000.00)                   | (1,495,000.00)                           | (35,755,000.00) | (40,760,000.00)        | -                                        | (40,760,000.00) |

|                                     | Separate financial statements |                                          |                 |                        |                                          |                 |
|-------------------------------------|-------------------------------|------------------------------------------|-----------------|------------------------|------------------------------------------|-----------------|
|                                     | As at December 31, 2012       |                                          |                 | As at January 1, 2012  |                                          |                 |
|                                     | As previously reported        | Effects from Change of Accounting policy | Adjusted        | As previously reported | Effects from Change of Accounting policy | Adjusted        |
| <b>ASSETS</b>                       |                               |                                          |                 |                        |                                          |                 |
| Deferred income tax assets -net     | -                             | 10,216,379.66                            | 10,216,379.66   | -                      | 16,292,975.09                            | 16,292,975.09   |
| <b>Shareholders' Equities</b>       |                               |                                          |                 |                        |                                          |                 |
| Retained earnings - Un-appropriated | 377,420,723.11                | 11,711,379.66                            | 389,132,102.77  | 337,675,759.29         | 16,292,975.09                            | 353,968,734.38  |
| Gain (loss) on valuation            |                               |                                          |                 |                        |                                          |                 |
| Of available for sale- securities   | (34,260,000.00)               | (1,495,000.00)                           | (35,755,000.00) | (40,760,000.00)        | -                                        | (40,760,000.00) |

The monetary amount of the adjustments that affect the statements of income for the year ended December 31, 2012 is as follows:

|                            | For the year ended December 31, 2012 |                                          |                 |                               |                                          |               |
|----------------------------|--------------------------------------|------------------------------------------|-----------------|-------------------------------|------------------------------------------|---------------|
|                            | Consolidated financial statements    |                                          |                 | Separate financial statements |                                          |               |
|                            | As previously reported               | Effects from Change of Accounting policy | Adjusted        | As previously reported        | Effects from Change of Accounting policy | Adjusted      |
| Income tax expense         | -                                    | (19,116,542.11)                          | (19,116,542.11) | -                             | 4,581,595.43                             | 4,581,595.43  |
| Profit (loss) for the year | 92,400,474.41                        | 19,116,542.11                            | 111,517,016.52  | 72,787,463.82                 | (4,581,595.43)                           | 68,205,868.39 |
| Earnings (loss) per share  | 0.27                                 | 0.06                                     | 0.32            | 0.21                          | (0.01)                                   | 0.20          |

The monetary amount of the adjustments that affect the statements of income for the year ended December 31, 2013 is as follows:

|                                       | BAHT                              |                               |
|---------------------------------------|-----------------------------------|-------------------------------|
|                                       | Consolidated financial statements | Separate financial statements |
|                                       | December 31, 2013                 | December 31, 2013             |
| Profit (loss) for the year before the |                                   |                               |
| change of accounting policy           | 93,241,965.58                     | 75,328,491.40                 |
| Income tax (increase) decrease        | (23,906,234.11)                   | 1,678,908.06                  |
| Profit (loss) for the year after the  |                                   |                               |
| change of accounting policy           | 117,148,199.69                    | 73,649,583.34                 |
| Earnings per share increase (Baht)    | 0.07                              | 0.005                         |

### 3. RELATED PARTY TRANSACTIONS

The Company had certain accounting transactions with its subsidiary and related persons, which were considered as a normal business practice. The transactions were based on the general market price and in cases where market price was not available, the contract price was used.

Balance of assets and liabilities, accounting and business transactions with subsidiary and related person presented in the statements of financial position as of December 31, 2013 and December 31, 2012 are as follows:

|                                             | BAHT                             |              |                              |                |
|---------------------------------------------|----------------------------------|--------------|------------------------------|----------------|
|                                             | Consolidated Financial Statement |              | Separate Financial Statement |                |
|                                             | Dec-31, 2013                     | Dec-31, 2012 | Dec-31, 2013                 | Dec-31, 2012   |
| <b>ASSETS</b>                               |                                  |              |                              |                |
| <b>3.1 Trade Receivable</b>                 |                                  |              |                              |                |
| <u>Subsidiary Company</u>                   |                                  |              |                              |                |
| Sabina Fareast Co., Ltd.                    | -                                | -            | 425,739,171.78               | 375,900,191.07 |
| Less : Allowance for doubtful account       | -                                | -            | -                            | -              |
| Trade receivable – Related parties net      | -                                | -            | 425,739,171.78               | 375,900,191.07 |
| <b>3.2 Short-term loan to related party</b> |                                  |              |                              |                |
| <u>Subsidiary Company</u>                   |                                  |              |                              |                |
| Sabina Fareast Co., Ltd.                    | -                                | -            | 256,000,000.00               | 209,000,000.00 |

Movement of short - term loan to related party is as follows;

|                          | Baht              |                |                   |            |
|--------------------------|-------------------|----------------|-------------------|------------|
|                          | Balance           |                | Balance           | Transfer   |
|                          | As of             |                | As of             | Pricing    |
|                          | December 31, 2012 | Increase       | December 31, 2013 | Policy     |
| Sabina Fareast Co., Ltd. | 209,000,000.00    | 190,000,000.00 | 256,000,000.00    | 3.35% p.a. |
|                          | 209,000,000.00    | 190,000,000.00 | 256,000,000.00    |            |

|                                    | BAHT                             |                   |                              |                   |
|------------------------------------|----------------------------------|-------------------|------------------------------|-------------------|
|                                    | Consolidated Financial Statement |                   | Separate Financial Statement |                   |
|                                    | December 31, 2013                | December 31, 2012 | December 31, 2013            | December 31, 2012 |
| <b>Liability</b>                   |                                  |                   |                              |                   |
| <b>3.3 Account Payable</b>         |                                  |                   |                              |                   |
| <u>Subsidiary Company</u>          |                                  |                   |                              |                   |
| Sabina Fareast Co., Ltd.           | -                                | -                 | 1,329,135.15                 | 1,766,036.12      |
| Accounts payable – Related parties | -                                | -                 | 1,329,135.15                 | 1,766,036.12      |

**3.4 Related party transactions** for the years ended December 31, 2013 and 2012 are as follows:

|                                    | BAHT                             |                  |                              |                  | Transfer       |
|------------------------------------|----------------------------------|------------------|------------------------------|------------------|----------------|
|                                    | Consolidated Financial Statement |                  | Separate Financial Statement |                  | Pricing        |
|                                    | December 31, 2013                | December 31,2012 | December 31,2013             | December 31,2012 | Policy         |
| <b><u>Subsidiary company</u></b>   |                                  |                  |                              |                  |                |
| Sales of finished goods            | -                                | -                | 723,745,408.37               | 669,587,080.36   | Contract price |
| Sawing service cost                | -                                | -                | 63,240,098.80                | 72,702,345.70    | "              |
| Purchase of raw materials          | -                                | -                | 11,738,308.89                | 13,040,276.38    | "              |
| Rent of office space and warehouse | -                                | -                | 1,845,500.00                 | 1,710,000.00     | "              |
| Cutting service cost               | -                                | -                | 10,285,666.10                | 8,630,053.84     | "              |
| Interest income                    | -                                | -                | 8,558,835.46                 | 8,309,150.37     | "              |

### 3.5 MANAGEMENT REMUNERATIONS

Management remunerations consist of salary, bonus, director attendance fee etc.

Management remuneration for the years ended December 31, 2013 and 2012 as follow;

|                             | BAHT                             |               |                              |               |
|-----------------------------|----------------------------------|---------------|------------------------------|---------------|
|                             | Consolidated Financial Statement |               | Separate Financial Statement |               |
|                             | 2013                             | 2012          | 2013                         | 2012          |
| Benefits – Short-term       | 40,030,097.16                    | 39,059,859.80 | 40,030,097.16                | 39,059,859.80 |
| Benefits – After retirement | -                                | 1,235,518.32  | -                            | 1,235,518.32  |
| Benefits – Long-term        | -                                | -             | -                            | -             |
| Total                       | 40,030,097.16                    | 40,295,378.12 | 40,030,097.16                | 40,295,378.12 |

## 4. CASH AND CASH EQUIVALENTS

For the purpose of preparation of the statement of cash flows with relevant accounting standards, as of December 31, 2013 and December 31, 2012 are consisted as follows:

|                                          | BAHT                             |                   |                              |                   |
|------------------------------------------|----------------------------------|-------------------|------------------------------|-------------------|
|                                          | Consolidated Financial Statement |                   | Separate Financial Statement |                   |
|                                          | December 31, 2013                | December 31, 2012 | December 31, 2013            | December 31, 2012 |
| Cash                                     | 1,052,237.50                     | 2,247,896.89      | 252,682.00                   | 348,532.75        |
| Cash at banks and financial institutions | 43,145,431.88                    | 21,634,487.76     | 14,359,935.79                | 4,139,773.69      |
| Total Cash and Cash Equivalents          | 44,197,669.38                    | 23,882,384.65     | 14,612,617.79                | 4,488,306.44      |

## 5. TEMPORARY INVESTMENT

Temporary investment as of December 31, 2013 and December 31, 2012 are consisted as follows:

### 5.1 INVESTMENT IN MUTUAL FUND

|                                     | BAHT                             |                   |                              |                   |
|-------------------------------------|----------------------------------|-------------------|------------------------------|-------------------|
|                                     | Consolidated Financial Statement |                   | Separate Financial Statement |                   |
|                                     | December 31, 2013                | December 31, 2012 | December 31, 2013            | December 31, 2012 |
| Investment in Commercial paper fund |                                  |                   |                              |                   |
| K-Treasury Fund                     | 6,301,633.41                     | 20,119,315.31     | 6,301,633.41                 | 20,119,315.31     |
| Total Temporary Investments         | 6,301,633.41                     | 20,119,315.31     | 6,301,633.41                 | 20,119,315.31     |

### 5.2 INVESTMENT IN AVAILABLE-FOR-SALE SECURITIES

As of December 31, 2013 and December 31, 2012 Investment in available-for-sale securities of the Company and its subsidiary are as follow;

|                     | BAHT                                                            |                          |               |                   |                          |               |
|---------------------|-----------------------------------------------------------------|--------------------------|---------------|-------------------|--------------------------|---------------|
|                     | Consolidated Financial Statement / Separate Financial Statement |                          |               |                   |                          |               |
|                     | December 31, 2013                                               |                          |               | December 31, 2012 |                          |               |
|                     | Cost                                                            | Unrealized Profit (loss) | Fair Value    | Cost              | Unrealized Profit (loss) | Fair Value    |
| Marketable Security | 100,260,000.00                                                  | (42,760,000.00)          | 57,500,000.00 | 100,260,000.00    | (34,260,000.00)          | 66,000,000.00 |
| Total               | 100,260,000.00                                                  | (42,760,000.00)          | 57,500,000.00 | 100,260,000.00    | (34,260,000.00)          | 66,000,000.00 |

Movement of the unrealized profit (loss) of the available-for-sale securities for the year ended December 31, 2013 is as follow;

|                                 | BAHT                             |                              |
|---------------------------------|----------------------------------|------------------------------|
|                                 | Consolidated Financial Statement | Separate Financial Statement |
| Balance as of January 1, 2013   | 66,000,000.00                    | 66,000,000.00                |
| Movement during the year        | (8,500,000.00)                   | (8,500,000.00)               |
| Balance as of December 31, 2013 | 57,500,000.00                    | 57,500,000.00                |

## 6. TRADE RECEIVABLES – OTHER PARTIES - NET

Trade receivables – other parties as of December 31, 2013 and December 31, 2012 are consisted as follows:

|                                             | BAHT                             |                       |                              |                   |
|---------------------------------------------|----------------------------------|-----------------------|------------------------------|-------------------|
|                                             | Consolidated Financial Statement |                       | Separate Financial Statement |                   |
|                                             | December 31, 2013                | December 31, 2012     | December 31, 2013            | December 31, 2012 |
| Trade receivables–other parties             | 360,908,499.29                   | 491,481,312.55        | -                            | -                 |
| <u>Less:</u> Allowance for doubtful account | (2,181,975.31)                   | (2,181,975.31)        | -                            | -                 |
| Trade receivables–other parties - net       | <u>358,726,523.98</u>            | <u>489,299,337.24</u> | <u>-</u>                     | <u>-</u>          |

As of December 31, 2013 and December 31, 2012, trade receivables–other parties were classified by aging of debt outstanding as follows:

|                                              | BAHT                             |                       |                              |                   |
|----------------------------------------------|----------------------------------|-----------------------|------------------------------|-------------------|
|                                              | Consolidated Financial Statement |                       | Separate Financial Statement |                   |
|                                              | December 31, 2013                | December 31, 2012     | December 31, 2013            | December 31, 2012 |
| Trade receivables–other parties              |                                  |                       |                              |                   |
| - Current                                    | 357,776,707.45                   | 483,523,242.41        | -                            | -                 |
| - Overdue 0 - 3 months                       | 3,131,791.84                     | 7,958,070.14          | -                            | -                 |
| - Overdue 4 - 6 months                       | -                                | -                     | -                            | -                 |
| - Overdue 7 - 12 months                      | -                                | -                     | -                            | -                 |
| - Overdue over 12 month                      | -                                | -                     | -                            | -                 |
| Total                                        | 360,908,499.29                   | 491,481,312.55        | -                            | -                 |
| <u>Less:</u> Allowance for doubtful accounts | (2,181,975.31)                   | (2,181,975.31)        | -                            | -                 |
| Trade receivables–other parties - net        | <u>358,726,523.98</u>            | <u>489,299,337.24</u> | <u>-</u>                     | <u>-</u>          |

Movement of allowance for doubtful accounts for the year ended December 31, 2013 is as follow;

|                                        | BAHT                             |                                  |
|----------------------------------------|----------------------------------|----------------------------------|
|                                        | Consolidated Financial Statement | Consolidated Financial Statement |
| Beginning balance                      | 2,181,975.31                     | -                                |
| Increase during the year               | -                                | -                                |
| Reversal due to collection             | -                                | -                                |
| Decrease due to receivable written off | -                                | -                                |
| Ending balance                         | <u>2,181,975.31</u>              | <u>-</u>                         |

## 7. **INVENTORIES - NET**

As of December 31, 2013 and December 31, 2012, inventories – net are consisted as follows:

|                              | BAHT                             |                   |                              |                   |
|------------------------------|----------------------------------|-------------------|------------------------------|-------------------|
|                              | Consolidated Financial Statement |                   | Separate Financial Statement |                   |
|                              | December 31, 2013                | December 31, 2012 | December 31, 2013            | December 31, 2012 |
| Finished goods               | 962,726,244.21                   | 839,098,597.61    | -                            | -                 |
| Work in process              | 117,771,586.82                   | 129,934,552.87    | 67,767,630.96                | 76,016,219.30     |
| Raw materials                | 101,513,988.85                   | 114,444,207.95    | 59,514,218.35                | 65,509,218.95     |
| Supplies                     | 12,965,826.21                    | 14,525,556.84     | 8,175,788.13                 | 8,291,207.00      |
| Inventories in transit       | 46,098.04                        | 1,035,626.81      | -                            | -                 |
| Total                        | 1,195,023,744.13                 | 1,099,038,542.08  | 135,457,637.44               | 149,816,645.25    |
| Less: Allowance for obsolete | (13,000,000.00)                  | (11,000,000.00)   | -                            | -                 |
| Inventories – net            | 1,182,023,744.13                 | 1,088,038,542.08  | 135,457,637.44               | 149,816,645.25    |

As of December 31, 2013 and December 31, 2012, the balance of inventories in subsidiary's account which purchased from the Company have been presented net from profit in inventories totaling of Baht 117,020,547.54 and Baht 82,307,000.00 respectively (eliminated in consolidated financial statement).

Movement of allowance for obsolete inventories account for the year ended December 31, 2013 is as follow;

|                          | BAHT                             |                              |
|--------------------------|----------------------------------|------------------------------|
|                          | Consolidated Financial Statement | Separate Financial Statement |
| Beginning balance        | 11,000,000.00                    | -                            |
| Increase during the year | 2,000,000.00                     | -                            |
| Ending balance           | 13,000,000.00                    | -                            |

**8. PROPERTY, PLANT AND EQUIPMENT - NET**

|                                       | BAHT                             |                 |                 |               |                 |                  |
|---------------------------------------|----------------------------------|-----------------|-----------------|---------------|-----------------|------------------|
|                                       | Consolidated Financial Statement |                 |                 |               |                 |                  |
|                                       | As of                            |                 |                 |               |                 | As of            |
|                                       | Dec-31, 2012                     | Increase        | Decrease        | Transfer - In | Transfer –Out   | Dec-31, 2013     |
| COST :                                |                                  |                 |                 |               |                 |                  |
| Land                                  | 117,316,674.50                   | -               | -               | -             | -               | 117,316,674.50   |
| Building &<br>building improvement    | 309,314,124.00                   | -               | -               | 706,864.93    | -               | 310,020,988.93   |
| Machinery & equipment                 | 269,575,488.81                   | 7,521,545.25    | (7,967,409.77   | 2,373,959.80  | -               | 271,503,584.09   |
| Tools & supplies                      | 10,982,614.37                    | 342,263.52      | (1,760.00)      | -             | -               | 11,323,117.89    |
| Furniture & fixture                   | 55,124,654.88                    | 230,831.23      | -               | 34,239,644.02 | -               | 89,595,130.13    |
| Office equipments                     | 56,752,429.14                    | 1,018,452.20    | (5,984,725.91)  | -             | -               | 51,786,155.43    |
| Vehicles                              | 57,776,388.69                    | -               | (3,012,259.11)  | -             | -               | 54,764,129.58    |
| Other equipments                      | 891,977.77                       | -               | -               | -             | -               | 891,977.77       |
| Construction in progress              | -                                | 706,864.93      | -               | -             | (706,864.93)    | -                |
| Computer & equipment                  | 32,393,315.45                    | 6,775,190.25    | (3,227,679.28)  | -             | -               | 35,940,826.42    |
| Assets installation in progress       | 5,288,974.44                     | 35,931,475.38   | -               | -             | (36,613,603.82) | 4,606,846.00     |
| Total cost                            | 915,416,642.05                   | 52,526,622.76   | (20,193,834.07) | 37,320,468.75 | (37,320,468.75) | 947,749,430.74   |
| <u>Less: Accumulated depreciation</u> |                                  |                 |                 |               |                 |                  |
| Building & building<br>improvement    | (166,143,431.77)                 | (15,000,657.80) | -               | -             | -               | (181,144,089.57) |
| Machinery & equipment                 | (218,865,688.27)                 | (14,762,549.99) | 7,275,917.73    | -             | -               | (226,352,320.53) |
| Tools & supplies                      | (9,525,001.61)                   | (798,088.63)    | 1,744.00        | -             | -               | (10,321,346.24)  |
| Furniture & fixture                   | (19,801,973.63)                  | (13,063,028.75) | -               | -             | -               | (32,865,002.38)  |
| Office equipments                     | (52,767,177.00)                  | (1,663,273.67)  | 5,984,624.91    | -             | -               | (48,445,825.76)  |
| Vehicles                              | (52,463,857.78)                  | (1,993,341.52)  | 3,012,246.11    | -             | -               | (51,444,953.19)  |
| Other equipments                      | (884,906.53)                     | (2,926.99)      | -               | -             | -               | (887,833.52)     |
| Computer & equipment                  | (27,101,370.99)                  | (3,954,347.97)  | 3,203,461.46    | -             | -               | (27,852,257.50)  |
| Total accumulated depreciation        | (547,553,407.58)                 | (51,238,215.32) | 19,477,994.21   | -             | -               | (579,313,628.69) |
| Property, plants and equipment-net    | 367,863,234.47                   |                 |                 |               |                 | 368,435,802.05   |



Depreciation for the years ended December 31, 2013 and 2012 has been included in cost of goods sold, and selling and administrative expenses as follows:

|                                     | BAHT              |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | December 31, 2013 | December 31, 2012 |
| Cost of goods sold                  | 31,017,332.50     | 35,399,799.11     |
| Selling and administrative expenses | 20,220,882.82     | 13,674,625.57     |
| Total                               | 51,238,215.32     | 49,074,424.68     |

|                                     | BAHT                         |                 |                |            |                       |
|-------------------------------------|------------------------------|-----------------|----------------|------------|-----------------------|
|                                     | Separate Financial Statement |                 |                |            |                       |
|                                     | As of<br>Dec-31, 2012        | Increase        | Decrease       | Transfer   | As of<br>Dec-31, 2013 |
| COST :                              |                              |                 |                |            |                       |
| Land                                | 17,424,744.50                | -               | -              | -          | 17,424,744.50         |
| Building & building improvement     | 142,770,295.64               | -               | -              | 706,864.9  | 143,477,160.57        |
| Machinery & equipment               | 154,822,745.85               | 3,551,300.00    | -              | -          | 158,374,045.85        |
| Tools & supplies                    | 3,586,524.97                 | 179,566.00      | (1,760.00)     | -          | 3,764,330.97          |
| Furniture & fixture                 | 9,913,464.27                 | 106,929.54      | -              | -          | 10,020,393.81         |
| Office equipments                   | 8,589,438.55                 | 237,242.63      | (832,944.40)   | -          | 7,993,736.78          |
| Vehicles                            | 22,782,996.70                | -               | (1,832,119.83) | -          | 20,950,876.87         |
| Other equipments                    | 891,977.77                   | -               | -              | -          | 891,977.77            |
| Construction in progress            | -                            | 706,864.93      | -              | -          | (706,864.93)          |
| Assets installation in progress     | -                            | -               | -              | -          | -                     |
| Total cost                          | 360,782,188.25               | 4,781,903.10    | (2,666,824.23) | 706,864.93 | 362,897,267.12        |
| Less: Accumulated depreciation      |                              |                 | -              | -          |                       |
| Building & building improvement     | (69,428,075.47)              | (7,142,579.48)  | -              | -          | (76,570,654.95)       |
| Machinery & equipment               | (127,318,967.11)             | (8,665,119.06)  | -              | -          | (135,984,086.17)      |
| Tools & supplies                    | (3,117,409.21)               | (172,327.25)    | 1,744.00       | -          | (3,287,992.46)        |
| Furniture & fixture                 | (8,059,054.28)               | (1,359,830.06)  | -              | -          | (9,418,884.34)        |
| Office equipments                   | (7,858,508.81)               | (336,634.33)    | 832,856.40     | -          | (7,362,286.74)        |
| Vehicles                            | (22,223,541.87)              | (271,437.77)    | 1,832,116.83   | -          | (20,662,862.81)       |
| Other equipments                    | (884,906.53)                 | (2,926.99)      | -              | -          | (887,833.52)          |
| Total accumulated depreciation      | (238,890,463.28)             | (17,950,854.94) | 2,666,717.23   | -          | (254,174,600.99)      |
| Property, plants and equipment -net | 121,891,724.97               |                 |                |            | 108,722,666.13        |

Depreciation for the years ended December 31, 2013 and 2012 has been included in cost of goods sold, and selling and administrative expenses as follows:

|                                     | BAHT              |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | December 31, 2013 | December 31, 2012 |
| Cost of goods sold                  | 16,104,425.59     | 19,425,047.49     |
| Selling and administrative expenses | 1,846,429.35      | 2,937,417.59      |
| Total                               | 17,950,854.94     | 22,362,465.08     |

The Company has pledged a part of land, buildings and machineries as collateral with banks for the Company's credit facilities.

## 9. INTANGIBLE ASSETS

|                                                | BAHT                             |                |          |                              |                       |
|------------------------------------------------|----------------------------------|----------------|----------|------------------------------|-----------------------|
|                                                | Consolidated Financial Statement |                |          |                              |                       |
|                                                | As of<br>Dec-31, 2012            | Increase       | Decrease | Transfer<br>in      out      | As of<br>Dec-31, 2013 |
| Cost:                                          |                                  |                |          |                              |                       |
| Computer Software                              | 24,609,569.09                    | 719,025.00     | -        | 920,000.00      -            | 26,248,594.09         |
| Software under installation                    | 644,000.00                       | 510,000.00     | -        | -      (920,000.00)          | 234,000.00            |
| Total                                          | 25,253,569.09                    | 1,229,025.00   | -        | 920,000.00      (920,000.00) | 26,482,594.09         |
| <u>Less:</u> Accumulated amortization expenses |                                  |                |          |                              |                       |
| Computer Software                              | (17,534,341.14)                  | (1,406,913.75) | -        | -      -                     | (18,941,254.89)       |
| Total                                          | (17,534,341.14)                  | (1,406,913.75) | -        | -      -                     | (18,941,254.89)       |
| Intangible assets – net                        | 7,719,227.95                     |                |          |                              | 7,541,339.20          |

Amortization expenses for the years ended December 31, 2013 and 2012 has been included as selling and administrative expenses in the consolidated financial statement are as follow;

|                                     | BAHT              |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | December 31, 2013 | December 31, 2012 |
| Cost of goods sold                  | 202,281.83        | 202,281.83        |
| Selling and administrative expenses | 1,204,631.92      | 1,417,573.57      |
| Total                               | 1,406,913.75      | 1,619,855.40      |

|                                         | BAHT                         |              |          |               |            |                |
|-----------------------------------------|------------------------------|--------------|----------|---------------|------------|----------------|
|                                         | Separate Financial Statement |              |          |               |            |                |
|                                         | As of                        |              |          |               |            | As of          |
|                                         | Dec-31, 2012                 | Increase     | Decrease | Transfer - in | Transfer - | Dec-31, 2013   |
| Cost:                                   |                              |              |          |               |            |                |
| Computer Software                       | 2,469,288.38                 | -            | -        | -             | -          | 2,469,288.38   |
| Total                                   | 2,469,288.38                 | -            | -        | -             | -          | 2,469,288.38   |
| Less: Accumulated amortization expenses |                              |              |          |               |            |                |
| Computer Software                       | (2,283,058.39)               | (182,782.67) | -        | -             | -          | (2,465,841.06) |
| Total                                   | (2,283,058.39)               | (182,782.67) | -        | -             | -          | (2,465,841.06) |
| Intangible assets – net                 | 186,229.99                   |              |          |               |            | 3,447.32       |

Amortization expenses for the years ended December 31, 2013 and 2012 has been included as selling and administrative expenses in the consolidated financial statement are as follow;

|                                     | BAHT              |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | December 31, 2013 | December 31, 2012 |
| Cost of goods sold                  | -                 | -                 |
| Selling and administrative expenses | 182,782.67        | 299,571.70        |
| Total                               | 182,782.67        | 299,571.70        |

#### 10. LEASEHOLD RIGHT -NET

As of December 31, 2013 and December 31, 2012, leasehold right – net are consisted as follows:

|                                 | BAHT                             |                 |                              |      |
|---------------------------------|----------------------------------|-----------------|------------------------------|------|
|                                 | Consolidated Financial Statement |                 | Separate Financial Statement |      |
|                                 | 2013                             | 2012            | 2013                         | 2012 |
| Cost                            | 72,963,916.67                    | 57,087,820.67   | -                            | -    |
| Less : Accumulated amortization | (37,011,234.03)                  | (31,115,752.11) | -                            | -    |
| Total                           | 35,952,682.64                    | 25,972,068.56   | -                            | -    |

Amortization for the years ended December 31, 2013 and 2012 has been included in cost of goods sold, and selling and administrative expenses as follows:

|                  | BAHT                             |              |                              |      |
|------------------|----------------------------------|--------------|------------------------------|------|
|                  | Consolidated Financial Statement |              | Separate Financial Statement |      |
|                  | 2013                             | 2012         | 2013                         | 2012 |
| Selling expenses | 5,895,481.92                     | 7,279,807.62 | -                            | -    |
| Total            | 5,895,481.92                     | 7,279,807.62 | -                            | -    |

# 11. BANK OVERDRAFTS AND SHORT TERM LOAN S FROM FINANCIAL INSTITUTIONS

Bank overdrafts and short term loans from financial institution as of December 31, 2013 and December 31, 2012 were consisted of the follows:

|                       | BAHT                             |                   |                              |                   |
|-----------------------|----------------------------------|-------------------|------------------------------|-------------------|
|                       | Consolidated Financial Statement |                   | Separate Financial Statement |                   |
|                       | December 31, 2013                | December 31, 2012 | December 31, 2013            | December 31, 2012 |
| Short term loan       | 532,000,000.00                   | 581,000,000.00    | -                            | -                 |
| Loan on trust receipt | -                                | -                 | -                            | -                 |
| Total                 | 532,000,000.00                   | 581,000,000.00    | -                            | -                 |

The Company and its subsidiary have entered into the bank overdraft and short term loan agreement with several banks. The interest rate was ranging from 2.60% to 8.125% per annum. The Company and its subsidiary pledged its land, buildings and machinery as collateral with the banks. Besides, the company's director and shareholder are also guarantor for the loans.

# 12. OTHER PAYABLES

As of December 31, 2013 and December 31, 2012, other payables are consisted as follows:

|                         | BAHT                             |                   |                              |                   |
|-------------------------|----------------------------------|-------------------|------------------------------|-------------------|
|                         | Consolidated Financial Statement |                   | Separate Financial Statement |                   |
|                         | December 31, 2013                | December 31, 2012 | December 31, 2013            | December 31, 2012 |
| Advance for merchandise | 1,171,063.86                     | -                 | -                            | -                 |
| Accrued expenses        | 101,294,264.64                   | 99,869,067.17     | 34,886,282.79                | 29,271,257.72     |
| Accrued dividend        | 35,114.48                        | 29,000.63         | 35,114.48                    | 29,000.63         |
| Total                   | 102,500,442.98                   | 99,898,067.80     | 34,921,397.27                | 29,300,258.35     |

# 13. EMPLOYEES' BENEFIT OBLIGATION

Movements of present value of employee benefit obligation for the years ended December 31, 2013 and December 31, 2012 were as follows:

|                                                       | Baht                               |                                    |                                    |                                    |
|-------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                                       | Consolidated Financial Statement   |                                    | Separate Financial Statement       |                                    |
|                                                       | For the year ended<br>Dec-31, 2013 | For the year ended<br>Dec-31, 2012 | For the year ended<br>Dec-31, 2013 | For the year ended<br>Dec-31, 2012 |
| Employee benefits obligation as of beginning of years | 19,592,207.00                      | 17,489,957.00                      | 10,159,042.00                      | 8,056,792.00                       |
| Payment of Employees' benefit                         | (4,320,880.00)                     | (2,667,480.00)                     | (2,580,780.00)                     | (50,100.00)                        |
| Current service cost and interest cost                | 3,087,580.99                       | 4,769,730.00                       | 849,095.99                         | 2,152,350.00                       |
| Gain (loss) from estimate of actuarial assumptions    | -                                  | -                                  | -                                  | -                                  |
| Employee benefits obligation as of ending of years    | 18,358,907.99                      | 19,592,207.00                      | 8,427,357.99                       | 10,159,042.00                      |

Expenses recognized in statements of income for the years ended December 31, 2013 and 2012 are as follow;

|                      | BAHT                             |              |                              |              |
|----------------------|----------------------------------|--------------|------------------------------|--------------|
|                      | Consolidated Financial Statement |              | Separate Financial Statement |              |
|                      | 2013                             | 2012         | 2013                         | 2012         |
| Current service cost | 2,725,963.30                     | 4,207,461.08 | 751,167.26                   | 1,882,455.30 |
| Interest cost        | 361,617.69                       | 562,268.92   | 97,928.73                    | 269,894.70   |
| Total                | 3,087,580.99                     | 4,769,730.00 | 849,095.99                   | 2,152,350.00 |

The principle actuarial assumptions used to calculate the provision under the retirement benefit obligation as of December 31, 2013 and December 31, 2012 are as follows:

|                                                             | Consolidated        | Separate            |
|-------------------------------------------------------------|---------------------|---------------------|
|                                                             | Financial Statement | Financial Statement |
| Discount rate                                               | 3.4436 %            | 3.4436 %            |
| Salary scale increase rate                                  | 3.00 %              | 3.00 %              |
| Employee with voluntary resignation before retirement ratio | 0-56 %*             | 0-56 %*             |
| Mortality rate                                              | TMO 1997 **         | TMO 1997 **         |

\* Based on rate weighted by age group of employee

\*\* Reference to Thai Mortality ordinary Table of 1997 common type

#### 14. REGISTERED CAPITAL

14.1 On May 15, 2008 the Company common shares have been approved to be a registered security in SET and the share initial trading has been started since that date.

14.2 On July 26, 2012, an extra ordinary shareholder meeting no 1/2012 had approved a resolution to change number of shares and par value of the share capital from; a registered capital of Baht 347,500,000 with 69,500,000 shares at Baht 5.00 par value to a registered capital of Baht 347,500,000 with 347,500,000 shares at Baht 1.00 par value. The change was registered with the Ministry Commerce on July 27, 2012.

#### 15. LEGAL RESERVE

According to public company legislation 1992, the Company has to allocate a portion of net profit for the year to be Legal Reserve not less than 5% of profit of the year. The allocation of Legal Reserve should be deducted with the beginning balance of deficit (if any) until the balance of Legal Reserve not less than 10% of registered capital. The Company cannot pay dividend from the Legal Reserve.

#### 16. DIVIDEND PAYMENT

On April 10, 2012, the shareholder meeting no. 1/2012 has approved to pay dividend for the year 2011 to shareholders, at Baht 0.15 per share for the 69.5 million shares, total amount of Baht 10.425 million.

On August 10, 2012, the board of director meeting no. 4/2012 has approved to pay interim dividend for the first months operation of 2012 to shareholders, at Baht 0.065 per share for the 347.50 million shares, total amount of Baht 22.5875 million.

On April 10, 2013, the shareholder meeting no. 1/2013 has approved to pay dividend for the year 2012 to shareholders, at Baht 0.05 per share for the 347.5 million shares, total amount of Baht 17.375 million.

On August 14, 2013, the board of director meeting no. 3/2012 has approved to pay interim dividend for the first months operation of 2013 to shareholders, at Baht 0.065 per share for the 347.50 million shares, total amount of Baht 22.5875 million.

## 17. **INCOME TAX EXPENSE**

In accordance with taxable conditions on Thailand's revenue code, the Company and its subsidiaries have calculated its net taxable profit (loss) by taking both any forbidding expenditures and any reduced or exceptionable accounting transactions to adding - up or deducting from net profit (loss) under accounting base.

The Company has calculated income tax on its taxable profit for the years 2011 and 2012 at the rate 30% and 23% respectively and the rate 20% from 2013 onward.

17.1 Income tax expense for the years ended December 31, 2013 and 2012, consisted of;

|                                       | BAHT                              |                 |                               |              |
|---------------------------------------|-----------------------------------|-----------------|-------------------------------|--------------|
|                                       | Consolidated financial statements |                 | Separate financial statements |              |
|                                       | 2013                              | 2012            | 2013                          | 2012         |
| Income tax charge of current year     | 70,874,515.98                     | 81,906,387.1    | 11,521,168.99                 | 12,665,422.1 |
| Deferred income tax Expense (Revenue) |                                   |                 |                               |              |
| from temporary difference             | 1,678,908.06                      | 4,581,595.44    | 1,678,908.06                  | 4,581,595.44 |
| Effects of deferred income tax        |                                   |                 |                               |              |
| from change of tax rates              |                                   | (23,698,137.54) | -                             | -            |
| Income tax expense presented          |                                   |                 |                               |              |
| in the statement of income            | 46,968,281.87                     | 62,789,845.0    | 13,200,077.05                 | 17,247,017.6 |

## 17.2 Income tax relating to components of statements of comprehensive income – other for the years ended

December 31, 2013 and 2012 consisted of :

|                                         | BAHT                              |                |                               |                |
|-----------------------------------------|-----------------------------------|----------------|-------------------------------|----------------|
|                                         | Consolidated financial statements |                | Separate financial statements |                |
|                                         | 2013                              | 2012           | 2013                          | 2012           |
| Deferred income tax relating to;        |                                   |                |                               |                |
| - Investment in marketable securities   | 1,700,000.00                      | (1,495,000.00) | 1,700,000.00                  | (1,495,000.00) |
| Deferred tax expense (income) presented |                                   |                |                               |                |
| in statement of comprehensive income    | 1,700,000.00                      | (1,495,000.00) | 1,700,000.00                  | (1,495,000.00) |

## 17.3 The reconciliation of the income tax expense and the result of the multiplying of the accounting profit with tax rate for the years ended December 31, 2013 and 2012 are presented as the following:

|                                               | BAHT                              |                 |                               |                |
|-----------------------------------------------|-----------------------------------|-----------------|-------------------------------|----------------|
|                                               | Consolidated financial statements |                 | Separate financial statements |                |
|                                               | 2013                              | 2012            | 2013                          | 2012           |
| Accounting profit before corporate income tax | 198,830,029.10                    | 217,683,416.31  | 86,849,660.39                 | 85,452,885.98  |
| Corporate income tax rates                    | 20%                               | 23%             | 20%                           | 23%            |
| Accounting profit before corporate income tax |                                   |                 |                               |                |
| Multiply by tax rates                         | 39,766,005.82                     | 50,067,185.75   | 17,369,932.08                 | 19,654,163.78  |
| Effects to deferred income tax                |                                   |                 |                               |                |
| From change of income tax rates               | (23,906,234.11)                   | (19,116,542.10) | 1,678,908.06                  | 4,581,595.44   |
| Income tax effects that is nondeductible in   |                                   |                 |                               |                |
| Calculation of profit:                        |                                   |                 |                               |                |
| - BOI Privileges                              | (5,394,225.70)                    | (6,242,766.36)  | (5,394,225.70)                | (6,242,766.36) |
| - Revenue exempted in tax calculation         | 35,705,931.34                     | 36,711,264.49   | (764,680.85)                  | (1,316,566.34) |
| -Nondeductible expenses                       | 796,804.52                        | 1,370,703.28    | 310,143.46                    | 570,591.08     |
| Income tax expense presented in the -         |                                   |                 |                               |                |
| Statement of Income                           | 46,968,281.87                     | 62,789,845.06   | 13,200,077.05                 | 17,247,017.60  |

## 17.4 Components of deferred tax assets and deferred tax liabilities comprised of the following items;

|                                         | BAHT                              |                 |                 |
|-----------------------------------------|-----------------------------------|-----------------|-----------------|
|                                         | Consolidated financial statements |                 |                 |
|                                         | As at                             | As at           | As at           |
|                                         | Dec-31, 2013                      | Dec-31, 2012    | Jan-1, 2012     |
| <u>Deferred tax assets</u>              |                                   |                 |                 |
| Investment in marketable securities     | 8,552,000.00                      | 7,879,800.00    | 10,190,000.00   |
| Allowance for doubtful account          | 436,395.06                        | 501,854.32      | 4,743,369.68    |
| Consignment receivable                  | 190,175,712.55                    | 150,460,025.87  | 110,032,682.60  |
| Allowance for impairment of inventories | 2,600,000.00                      | 2,530,000.00    | 2,400,000.00    |
| Employee benefit obligation             | 3,671,781.60                      | 4,506,207.61    | 4,844,147.51    |
| Total                                   | 205,435,889.21                    | 165,877,887.80  | 132,210,199.79  |
| <u>Deferred tax liabilities</u>         |                                   |                 |                 |
| Consignment inventories                 | (82,327,148.29)                   | (68,375,380.99) | (52,329,235.09) |
| Total                                   | (82,327,148.29)                   | (68,375,380.99) | (52,329,235.09) |
| <u>Deferred tax assets – net</u>        | 123,108,740.92                    | 97,502,506.81   | 79,880,964.70   |

|                                     | BAHT                          |               |                 |
|-------------------------------------|-------------------------------|---------------|-----------------|
|                                     | Separate financial statements |               |                 |
|                                     | As at                         | As at         | As at           |
|                                     | Dec-31, 2013                  | Dec-31, 2012  | January 1, 2012 |
| <u>Deferred tax assets</u>          |                               |               |                 |
| Investment in marketable securities | 8,552,000.00                  | 7,879,800.00  | 10,190,000.00   |
| Allowance for doubtful account      | -                             | -             | 4,088,777.09    |
| Employee benefit obligation         | 1,685,471.60                  | 2,336,579.66  | 2,014,198.00    |
| Total                               | 10,237,471.60                 | 10,216,379.66 | 16,292,975.09   |
| <u>Deferred tax liabilities</u>     | -                             | -             | -               |
| Total                               | -                             | -             | -               |
| <u>Deferred tax assets – net</u>    | 10,237,471.60                 | 10,216,379.66 | 16,292,975.09   |



**18. EARNINGS PER SHARE**

According to the change of par value of the share capital as discussed in note 14.2 to interim financial statement, the Company had adjusted the weighted average number of shares used in the recalculation of the earnings per share for the year ended December 31, 2012 to reflect the effect of the change of number of share capital to earnings per share for the year ended December 31, 2012 as follows;

|                                             | For the year ended December 31, 2012 |             |                              |             |
|---------------------------------------------|--------------------------------------|-------------|------------------------------|-------------|
|                                             | Consolidated Financial Statement     |             | Separate Financial Statement |             |
|                                             | Formerly                             | Adjusted    | Formerly                     | Adjusted    |
| Number of shares (shares)                   | 69,500,000                           | 347,500,000 | 69,500,000                   | 347,500,000 |
| Earnings per share (Baht)                   | 1.60                                 | 0.32        | 1.06                         | 0.21        |
| <b><u>Restated</u></b>                      |                                      |             |                              |             |
| The effects of changes in accounting policy | -                                    | -           | -                            | 0.01        |
| - Income tax                                | 1.60                                 | 0.32        | 1.06                         | 0.20        |

**19. PROVIDENT FUND**

During year 2005, the Company and its employees agreed to establish employees' provident fund under authorization from Ministry of Finance as per provident fund legislation 1987. This provident fund is comprised of a portion of not less than 3% from employee's salary and a portion that contributed at the same amount from the Company. Employees entitle to receive money from provident fund if he/she resign and comply with its regulation. The provident fund is managed by MFC Public Co., Ltd.

**20. COMMITMENT****20.1 Lease agreement and long term services**

20.1.1 On June 1, 2010, company has entered into the lease of buildings agreement with Sabina Far East Co., Ltd., to use the buildings as company's office and warehouse for 3 years. The Company has a right to renew the lease agreement for 3 times at 3 years each. However the Company has to inform landlord by written in advance not less than 180 days. The rental is Baht 142,500 per month; landlord is responsible for municipal taxes. Landlord promised that it will not sell or dispose the assets in 12 years.

20.1.2 On June 12, 2009, the subsidiary has entered into another lease contract with the department store and for extension the lease period to another 10 years, which will expire in June 2019. The subsidiary had paid for the leasehold right for the 10 years approximately amounting to Baht 13.71 million.

The commitment for the long-term lease, which should be paid the rent and service in the future, is as on December 31, 2013 follow;

**The Company**

| <u>For the period</u>            | <u>Unit (Million baht)</u> |
|----------------------------------|----------------------------|
| Not over 1 year                  | 0.71                       |
| Over 1 year but not over 5 years | 3.42                       |
| Over 5 years                     | -                          |
| Total                            | 4.13                       |

**The Subsidiary Company**

| <u>For the period</u>            | <u>Unit (Million baht)</u> |
|----------------------------------|----------------------------|
| Not over 1 year                  | 52.48                      |
| Over 1 year but not over 5 years | 47.40                      |
| Over 5 years                     | 2.50                       |
| Total                            | 102.38                     |

**20.2 Letter of bank guarantee**

As of December 31, 2013 and December 31, 2012, the Company has letter of guarantee which issuing by the bank on behalf of company as follows:

| <u>Objective</u>                   | <u>BAHT</u>                             |                          |                                     |                          |
|------------------------------------|-----------------------------------------|--------------------------|-------------------------------------|--------------------------|
|                                    | <u>Consolidated Financial Statement</u> |                          | <u>Separate Financial Statement</u> |                          |
|                                    | <u>December 31, 2013</u>                | <u>December 31, 2012</u> | <u>December 31, 2013</u>            | <u>December 31, 2012</u> |
| 1. Guarantee for Custom Department | 1.91                                    | 1.00                     | -                                   | -                        |
| 2. Others                          | 2.12                                    | 4.62                     | 1.34                                | 2.34                     |
| Total                              | 4.03                                    | 5.62                     | 1.34                                | 2.34                     |

**21. DISCLOSURE FOR FINANCIAL INSTRUMENTS****Risk from foreign exchange rate**

The Company and its subsidiary encounters risk in foreign exchange rate because company has foreign receivables and payables. However, the credit terms given or received from the receivables and payables are short period.

As of December 31, 2013 and December 31, 2012, the Company and its subsidiary have assets and liabilities in foreign currencies as follows:

|                           | <u>Amount in Foreign Currencies</u>     |                          |                                     |                          |
|---------------------------|-----------------------------------------|--------------------------|-------------------------------------|--------------------------|
|                           | <u>Consolidated Financial Statement</u> |                          | <u>Separate Financial Statement</u> |                          |
|                           | <u>December 31, 2013</u>                | <u>December 31, 2012</u> | <u>December 31, 2013</u>            | <u>December 31, 2012</u> |
| <b><u>ASSETS</u></b>      |                                         |                          |                                     |                          |
| US Dollar                 | 96,722.06                               | -                        | 655.40                              | 8,471.50                 |
| Hong Kong Dollar          | -                                       | -                        | -                                   | -                        |
| Euro Dollar               | -                                       | -                        | -                                   | -                        |
| Pound Sterling            | 531,173.28                              | 458,517.31               | -                                   | -                        |
| <b><u>LIABILITIES</u></b> |                                         |                          |                                     |                          |
| US Dollar                 | 317,740.60                              | 200,100.37               | 89,687.91                           | 56,220.79                |
| Hong Kong Dollar          | 27,328.75                               | 17,435.80                | -                                   | -                        |
| Euro Dollar               | -                                       | -                        | -                                   | -                        |
| Pound Sterling            | 20,566.82                               | 46,711.13                | -                                   | -                        |

### Risk from interest rate

The interest rate risk depends on the fluctuation of interest rate in financial market. The fluctuation of the interest rate may have impact on the company's operation and cash flows. However, management believes that risk is insignificant in the current financial market because company can generate enough income and cash flows to pay interest.

### Risk from credit term

Credit risk refers to the risk that trade accounts receivable may default in its obligations resulting in a financial loss to company. However, since the company currently sells its products to creditworthy customers, it does not anticipate any material problem in collecting its debt. The concentration of credit risk with respect to trade receivable is limited because company's debtors are spread over in different area and type of business. Account receivable showed in the statement of financial position, net of a portion of allowance for doubtful debts, represents the maximum exposure to credit risk.

### Fair value

The management believes that the fair value of company's financial assets and liabilities does not materially differ from accounting carrying value.

## **22. PRIVILEGES FROM BOARD OF INVESTMENT (BOI)**

The Company received privileges from BOI as stated in the BOI certificate number 1837/2538 and 1653(2)/2545 dated November 28, 1995 and October 24, 2002 respectively, which accordance with investment legislative 1977, for manufacturing of lingerie and related products. The privilege includes exempt of corporate income tax, but the Company has to comply with the conditions indicated in the BOI certificates.

## **23. FINANCIAL INFORMATION BY SEGMENT OF BUSINESS**

Statements of income segmented by business for the years ended December 31, 2013 and 2012 as follows:

|                                     | Consolidated Financial Statement (Million Baht) |                 |                 |                   |                 |                 |
|-------------------------------------|-------------------------------------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
|                                     | December 31, 2013                               |                 |                 | December 31, 2012 |                 |                 |
|                                     | Export                                          | Domestic        | Total           | Export            | Domestic        | Total           |
| Revenue                             |                                                 |                 |                 |                   |                 |                 |
| Sales – net                         | 212.86                                          | 1,964.80        | 2,177.66        | 209.96            | 1,800.65        | 2,010.61        |
| Services income                     | -                                               | -               | -               | -                 | 4.11            | 4.11            |
| Total revenue                       | <u>212.86</u>                                   | <u>1,964.80</u> | <u>2,177.66</u> | <u>209.96</u>     | <u>1,804.76</u> | <u>2,014.72</u> |
| Cost of sales                       |                                                 |                 | (1,061.48)      |                   |                 | (1,012.59)      |
| Gross profit                        |                                                 |                 | 1,116.18        |                   |                 | 1,002.13        |
| Selling and administrative expenses |                                                 |                 | (947.75)        |                   |                 | (823.55)        |
| Net profit from operation           |                                                 |                 | <u>168.43</u>   |                   |                 | <u>178.58</u>   |
| Other income and expenses           |                                                 |                 |                 |                   |                 |                 |
| Other income                        |                                                 |                 | 11.77           |                   |                 | 17.76           |
| Financial cost                      |                                                 |                 | (16.08)         |                   |                 | (22.03)         |
| Total other income and expenses     |                                                 |                 | <u>(4.31)</u>   |                   |                 | <u>(4.27)</u>   |
| Profit before income tax            |                                                 |                 | 164.12          |                   |                 | 174.31          |
| Income tax expense                  |                                                 |                 | (46.97)         |                   |                 | (62.79)         |
| Net profit                          |                                                 |                 | <u>117.15</u>   |                   |                 | <u>111.52</u>   |

Property, plant and equipment of company have been commonly used for export and domestic operations.

Separate Financial Statement (million Baht)

|                                          | December 31, 2013 |          |          | December 31, 2012 |          |          |
|------------------------------------------|-------------------|----------|----------|-------------------|----------|----------|
|                                          | Export            | Domestic | Total    | Export            | Domestic | Total    |
| Revenue                                  |                   |          |          |                   |          |          |
| Sales – net                              | -                 | 723.75   | 723.75   | 21.24             | 669.60   | 690.84   |
| Services income                          | -                 | 63.24    | 63.24    | -                 | 72.70    | 72.70    |
| Total revenue                            | -                 | 786.99   | 786.99   | 21.24             | 742.30   | 763.54   |
| Cost of sales                            |                   |          | (680.83) |                   |          | (608.63) |
| Gross profit                             |                   |          | 156.16   |                   |          | 154.91   |
| Selling and administrative expenses      |                   |          | (81.12)  |                   |          | (84.34)  |
| Net profit from operation                |                   |          | 75.04    |                   |          | 70.57    |
| Other income and expenses                |                   |          |          |                   |          |          |
| Other income                             |                   |          | 11.81    |                   |          | 16.06    |
| Financial cost                           |                   |          | -        |                   |          | (1.17)   |
| Total other income and expenses expenses |                   |          | 11.81    |                   |          | 14.89    |
| Profit before income tax                 |                   |          | 86.85    |                   |          | 85.46    |
| Income tax expense                       |                   |          | (13.20)  |                   |          | (17.25)  |
| Net profit                               |                   |          | 73.65    |                   |          | 68.21    |

Property, plant and equipment of the Company have been commonly used for export and domestic operations.

**Major customer information**

During the year 2013 the Company has earned from 3 major customers amounting to Baht 843.55 million.

**24. EXPENSE BY NATURE**

The significant expenses for the years ended December 31, 2013 and 2012 classified by nature are as follow;

|                                               | Baht                             |               |                              |                 |
|-----------------------------------------------|----------------------------------|---------------|------------------------------|-----------------|
|                                               | Consolidated Financial Statement |               | Separate Financial Statement |                 |
|                                               | 2013                             | 2012          | 2013                         | 2012            |
| Changes in finished goods and work in process | 111,464,680.55                   | 60,167,701.34 | (8,248,588.34)               | (38,772,248.08) |
| Purchase of finished goods                    | 38,173,503.64                    |               | -                            | -               |
| Raw material and supply usage                 | 587,658,743.08                   | 541,891,452.4 | 334,911,384.2                | 306,468,470.61  |
| Employees' expenses) Exclude management(      | 518,496,677.19                   | 478,422,589.3 | 97,769,250.63                | 93,523,253.24   |
| Depreciation and Amortization                 | 58,540,610.99                    | 57,974,087.70 | 18,133,637.61                | 22,662,036.78   |
| Transportation expense                        | 12,846,585.31                    | 11,256,609.27 | 20,617.00                    | 35,896.00       |
| Chemical supplies and cost of analysis        | 2,951,423.84                     | 3,275,302.83  | 99,775.00                    | 111,525.00      |
| Advertising and promotion                     | 63,770,153.97                    | 59,531,067.05 | 1,030,110.29                 | 1,095,078.22    |

**25. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the authorize director on February 18, 2014.

(Signed)  Director

(Signed)  Director

**Particulars of Directors, Executives and Persons Controlling the Company, and Directors of Subsidiaries**

| Name and Title                                                                                                         | Age<br>(Year) | Education /Training                                                                                                                | Share-<br>holding<br>ratio (%) | Relation-<br>ship                                  | Work experience during the past 5 years                |                                                                                                                                                                                    |                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------|---------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                        |               |                                                                                                                                    |                                |                                                    | Period                                                 | Title                                                                                                                                                                              | Company and nature of<br>business                                                                                                                                                                                                                                          |
| 1. Mr. Viroj Thanalongkorn<br>(authorized director as per details<br>in the Certificate of Company<br>Registration)    | 61            | MINI MBA, Thammasat<br>University<br>/ DAP 64/2007                                                                                 | 74.59                          | Mrs.<br>Suchanya<br>Thanalon<br>gkorn's<br>brother | 2007 - Present<br><br>1973 - Present                   | - Chairman<br>- Consultant of<br>Executive Committee<br>- Chairman                                                                                                                 | - Sabina Plc.<br><br>-Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie                                                                                                                                                                        |
| 2. Mr. Bunchai Punturaumporn<br>(authorized director as per details<br>in the Certificate of Company<br>Registration)) | 50            | MBA (Marketing) ,<br>Thammasat University<br>/DAP 63/2007, EDP<br>5/2010, CMA 14                                                   | 0.003                          | None                                               | 2007 - Present<br><br>1995 - 2007<br><br>1992 - 1993   | - Chairman, Managing<br>Director<br>- Chairman and<br>Member of Executive<br>Committee<br>- Director of Overseas<br>Sales Department<br>- Manager of<br>Domestic Sales<br>Division | - Sabina Plc.<br><br>- Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie<br>- Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie<br>- Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie |
| 3.Mrs.Suchanya Thanalongkorn                                                                                           | 59            | Bachelor of political<br>Science<br>Ramkhamhaeng<br>University / Kpi. 10,<br>CMA. 8, Tepcot 4, NDP.<br>6 NDC 2012, DAP<br>105/2013 | -                              | Mr.Viroj<br>Thanalon<br>gkorn's<br>sister          | 2012-Present<br>2009-Present<br>1996-2009<br>1992-1996 | -Director<br>-Managing Director<br>-Managing Director<br>-Managing Director                                                                                                        | - Sabina Plc.<br>-36 Property<br>-SGF Trading(Thailand)<br>-Frank Jewelry                                                                                                                                                                                                  |
| 4. Mr. Apisit Jongkittipong<br>(authorized director as per details<br>in the Certificate of Company<br>Registration)   | 55            | MBA, NIDA / DAP<br>50/2006, EDP 9                                                                                                  | 0.003                          | None                                               | 2007 - Present<br><br>1995 - 2007                      | - Director, Deputy<br>Managing Director<br>- Director and<br>Executive Director<br>- Manager of Finance<br>and Accounting<br>Department                                            | - Sabina Plc.<br><br>- Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie<br>- Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie                                                                                    |

| Name and Title                                                                                                       | Age<br>(Year) | Education /Training                                                                                                      | Share-<br>holding<br>ratio (%) | Relation-<br>ship | Work experience during the past 5 years |                                                                                                     |                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------|---------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
|                                                                                                                      |               |                                                                                                                          |                                |                   | Period                                  | Title                                                                                               | Company and nature of<br>business                                                                |
| 5. Miss Somsri Sripatoomrak<br>(authorized director as per details<br>in the Certificate of Company<br>Registration) | 50            | MBA (Marketing),<br>Thammasat University /<br>DAP 63/2007, EDP 8                                                         | 0.003                          | None              | 2007 - Present                          | - Executive Director<br>- Director and<br>Executive Director                                        | - Sabina Plc.<br>- Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie |
|                                                                                                                      |               |                                                                                                                          |                                |                   | Oct.2010-Present                        | -Acting Director of<br>Purchase and<br>Production<br>Preparation<br>- Director of Domestic<br>Sales | - Sabina Plc.,<br><br>- Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies        |
|                                                                                                                      |               |                                                                                                                          |                                |                   | 2007-Sept 2010                          | - Director of Purchase<br>and Production<br>Preparation                                             | - Sabina Plc.                                                                                    |
|                                                                                                                      |               |                                                                                                                          |                                |                   | 1995 - 2007                             | - Deputy Manager of<br>Factory                                                                      | - Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie                  |
| 6. Mr. Amornthep Asepunya<br>(authorized director as per details<br>in the Certificate of Company<br>Registration)   | 45            | MBA, Bangkok<br>University / DAP<br>63/2007, EDP 6                                                                       | -                              | None              | 2007 - Present                          | - Executive Director<br>- Director and<br>Executive Director                                        | -Sabina Plc.<br>- Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie  |
|                                                                                                                      |               |                                                                                                                          |                                |                   | Oct.2010-Present                        | - Director of Strategy<br>and Business<br>Development<br>Department                                 | - Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie                  |
|                                                                                                                      |               |                                                                                                                          |                                |                   | 2007 –Sept 2010                         | - Director of Domestic<br>Sales Department                                                          | - Sabina Fareast Co.,<br>Ltd./design and<br>manufacturing of ladies<br>lingerie                  |
|                                                                                                                      |               |                                                                                                                          |                                |                   | 1995 – 2007                             | - Manager of<br>Domestic Sales<br>Department                                                        | - Sabina Fareast<br>Co., Ltd./design and<br>manufacturing of ladies<br>lingerie                  |
| 7. Miss Vachirawan Yamsri<br>(Director)                                                                              | 49            | Bachelor of political and<br>administrative<br>Science (finance)<br>Chulalongkorn<br>University / DAP<br>99/2012, EDP 10 | 0.01%                          | None              | 2012 – Present                          | - Director and<br>Executive Director                                                                | - Sabina Plc.                                                                                    |
|                                                                                                                      |               |                                                                                                                          |                                |                   | 2012 – Present                          | - Director of<br>Production                                                                         | -Sabina Plc.                                                                                     |
|                                                                                                                      |               |                                                                                                                          |                                |                   | 2007 - 2012                             | -Manager of<br>Production                                                                           | - Sabina Plc.                                                                                    |

| Name and Title                                                                 | Age<br>(Year) | Education /Training                                                              | Share-<br>holding<br>ratio (%) | Relation-<br>ship | Work experience during the past 5 years |                                                            |                                                                                                                                   |
|--------------------------------------------------------------------------------|---------------|----------------------------------------------------------------------------------|--------------------------------|-------------------|-----------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
|                                                                                |               |                                                                                  |                                |                   | Period                                  | Title                                                      | Company and nature of<br>business                                                                                                 |
| 8. Miss Rawewan Peyayopanukul<br>(Director and Chairman of Audit<br>Committee) | 67            | MBA (Accounting) ,<br>Michigan State<br>University, USA. / DAP<br>2003W ACP 2005 | -                              | None              | 2007 - Present                          | - Chairman of Audit<br>Committee                           | - Sabina Plc.                                                                                                                     |
|                                                                                |               |                                                                                  |                                |                   | 2002 - Present                          | - Independent<br>Director and Audit<br>Committee           | - Tata Steel (Thailand) Plc.<br>/investment and<br>consultation on marketing<br>and management                                    |
|                                                                                |               |                                                                                  |                                |                   | 1999 - Present                          | - Independent<br>Director and Audit<br>Committee           | - Thai Canepaper Plc./<br>manufacture and sale of<br>draft paper                                                                  |
|                                                                                |               |                                                                                  |                                |                   | 1995 - Present                          | - Independent<br>Director and Audit<br>Committee           | - Thai Theparos Food<br>Products Plc /production of<br>sources and canned pickles                                                 |
|                                                                                |               |                                                                                  |                                |                   | 1970 - 2007                             | - Assistant Professor                                      | - Faculty of Commerce and<br>Accounting, Thammasat<br>University                                                                  |
| 9. Mr. Somchai Vanavit<br>(Director and Member of Audit<br>Committee)          | 65            | MBA, Southeastern<br>Louisiana University,<br>USA. / DAP 8/2004,<br>DCP 49/2004  | -                              | None              | March 2011-<br>Present                  | -Independent Director<br>andChairman of<br>Audit Committee | -T.S.Flowmill Plc.<br>(wheat flour<br>Manufacture)                                                                                |
|                                                                                |               |                                                                                  |                                |                   | 2007 – Present                          | - Member of Audit<br>Committee                             | -Sabina Plc.                                                                                                                      |
|                                                                                |               |                                                                                  |                                |                   | 2004 - Present                          | - Director and Deputy<br>Managing Director                 | - K.C. Property Plc. /real<br>estate, construction and<br>construction materials                                                  |
|                                                                                |               |                                                                                  |                                |                   | 2005-2005                               | - Director                                                 | - Metropolitan Leasing and<br>Factoring Plc.) /acceptance<br>of transfer of claims under<br>lease, operation and hire<br>purchase |
|                                                                                |               |                                                                                  |                                |                   | 2003-2004                               | - Director                                                 | - Modern Home Planner<br>Co., Ltd./consultation on<br>production and finances                                                     |
| 10. Mr. Yuthana Adipath<br>(Director and Member of Audit<br>Committee)         | 69            | MBA, Eastern New<br>Maxico University /DAP<br>63/2007                            | -                              | None              | 2007 – Present                          | - Member of Audit<br>Committee                             | - Sabina Plc.                                                                                                                     |
|                                                                                |               |                                                                                  |                                |                   | 2002 - 2005                             | - Tax Specialist                                           | - Region 7 Tax Office /<br>Government agency                                                                                      |



| Name and Title                              | Age<br>(Year) | Education /Training                                                           | Share-<br>holding<br>ratio (%) | Relation-<br>ship | Work experience during the past 5 years |                                                          |                                   |
|---------------------------------------------|---------------|-------------------------------------------------------------------------------|--------------------------------|-------------------|-----------------------------------------|----------------------------------------------------------|-----------------------------------|
|                                             |               |                                                                               |                                |                   | Period                                  | Title                                                    | Company and nature of<br>business |
| 11. Miss Vaja Muktoo<br>(Company Secretary) | 46            | Bachelor of<br>Accounting, Suan Dusit<br>Rajabhat University /<br>CSP 53/2013 | 0.03                           | None              | Present                                 | -Company Secretary<br>and Accounting<br>Division Manager | -Sabina Plc.                      |
|                                             |               |                                                                               |                                |                   | 2007 – Present                          | -Accounting Division<br>Manager                          | -Sabina Plc.                      |
|                                             |               |                                                                               |                                |                   | 2000 - 2006                             | -Accounting Manager                                      | -J&D apparel Co.                  |

**Particulars of Directors, Executives and the Persons Controlling the Company; Directors of  
Subsidiary**

| Directors and Executives      | Company | Sabina Fareast Co., Ltd. |
|-------------------------------|---------|--------------------------|
| 1.Mr. Viroj Thanalongkorn     | X       | X                        |
| 2.Mr. Bunchai Punturaumporn   | /, //   | /, //                    |
| 3.Mrs.Suchanya Thanalongkorn  | /       |                          |
| 4.Mr. Apisit Jongkittipong    | /, //   | /, //                    |
| 5.Miss Somsri Sripatoomrak    | /, //   | /, //                    |
| 6.Mr. Amornthep Asepunhya     | /, //   | /, //                    |
| 7. Miss Vachirawan Yamri      | /, //   |                          |
| 8. Miss Rawewan Peyayopanakul | /, **   |                          |
| 9. Mr. Somchai Vanavit        | /, *    |                          |
| 10. Mr. Yuthana Adipath       | /, *    |                          |

Note: X = Chairman / = Director // = Executive Director

\*\* = Chairman of Audit Committee \* = Audit committee

### **Particulars Head of Internal Audit**

| Name and Title                                                | Age<br>(Year) | Education                                      | Share-<br>holding<br>ratio (%) | Relation<br>-ship | Work experience during the past 5 years |                             |                                   |
|---------------------------------------------------------------|---------------|------------------------------------------------|--------------------------------|-------------------|-----------------------------------------|-----------------------------|-----------------------------------|
|                                                               |               |                                                |                                |                   | Period                                  | Title                       | Company and nature of<br>business |
| Acting Sub Lt.Samphan<br>Puypirom<br>(Head of Internal Audit) | 32            | Bachelor of Accounting,<br>Sripatum University | -                              | -                 | 2555-Present                            | - Head of Internal<br>Audit | - Sabina Plc.                     |
|                                                               |               |                                                |                                |                   | 2553-2555                               | - Head of Internal<br>Audit | - Peerapat Technology Plc.        |
|                                                               |               |                                                |                                |                   | 2550-2552                               | - Junior Internal Audit     | - East West Seed Co.,Ltd.         |