

## **PART 1 BUSINESS OPERATION**

### **1. Policy and Overview of Business Operation**

#### ***1.1 Vision & Mission***

##### **Vision**

To be the leading disposable diaper manufacturer in South East Asia

##### **Mission**

To provide products and services of the best quality and value to our customers

##### **Principles and Values**

- Provide a healthy, safe, and positive work environment where everyone can feel valued, can learn, and is expected to consistently strive to achieve their personal best with the resources available
- Encourage a high trust organization where everyone acknowledges they have a shared responsibility for success or failure within all departments
- Manufacture a consistent, high quality product at the lowest possible manufactured cost that satisfies the needs of the consumer and the expectations of our trade customers
- Build our customer partnerships through a “Collaborative Approach”

##### **Business Goals**

The Company vision is to be a leading provider of quality diaper care for babies and adults in South East Asia. Throughout the years, the Company has expanded its product portfolio to fulfill its customers and consumer needs and created highest value to them. The company has also built a solid foundation in its operational facilities and prevalent market presence. The Company has managed to consolidate its position in its key markets through effective commercial strategies and product innovation. The Company continues to invest in marketing and supply chain innovation and productivity and quality improvement to build a solid foundation for sustainable long-term growth in South East Asia.

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## **Product Portfolio**

### *1) Baby Diapers*

The Company has further strengthened its market position in South East Asia with the introduction of new product innovation in the mass segment such as BabyLove DayPants in Thailand since 2013. After receiving the good customers' responses, PetPet DayPants and Fitti DayPants were subsequently launched in 2014 to reiterate successful celebration respectively in Malaysia and Indonesia. The introduction of the new technology and product innovation also heralded the Company to fulfill its portfolio in various segments and remain as the leading company in disposable diaper industry.

### *2) Adult Diapers*

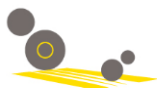
Certainty brand is the overall adult diaper market leader in Thailand and is also one of the key players in South East Asian markets. The introduction of product performance improvement in Certainty SuperPants in Q1 2014, replacing with Certainty Active Pants launched since 2012 and new launch of Certainty DayPants in Q2 2014 have complemented the existing adult diapers category for the Company.

## ***1.2 Significant Change and Development***

DSG International (Thailand) PLC ("DSGT") was established on 20 May 1994. The Company has conducted the business of manufacturing and marketing disposable baby and adult diapers in South East Asia region with operational bases in Thailand, Malaysia, Indonesia and Singapore. Baby disposable diapers are branded under the brand name of "BabyLove", "PetPet", and "Fitti", whilst adult disposable diapers are under the brand name of "Certainty". Currently, the company has registered capital of Baht 1,260 million with ordinary shares of 1,259.99 million shares at a par value of 1.00 Baht per share.

Significant Changes and Development in 2012-2014 can be summarized as follows:

- 17 February 2012 - The Meeting of Shareholders resolved to appoint Mr. Chwan-Der Alex King as an Independent Director and Audit Committee
- 20 September 2012 - The Meeting of Shareholders approved the Company's capital increase from Baht 600 million to Baht 900 million by issuing 300 million new ordinary shares at a par value of Baht 1 per share to accommodate the Stock Dividend at the ratio of 2 existing shares for 1 new share
- 27 February 2013 - The Board of Directors resolved to appoint Mr. Yeoh Aik Cheong, an Executive Director, as Company Secretary

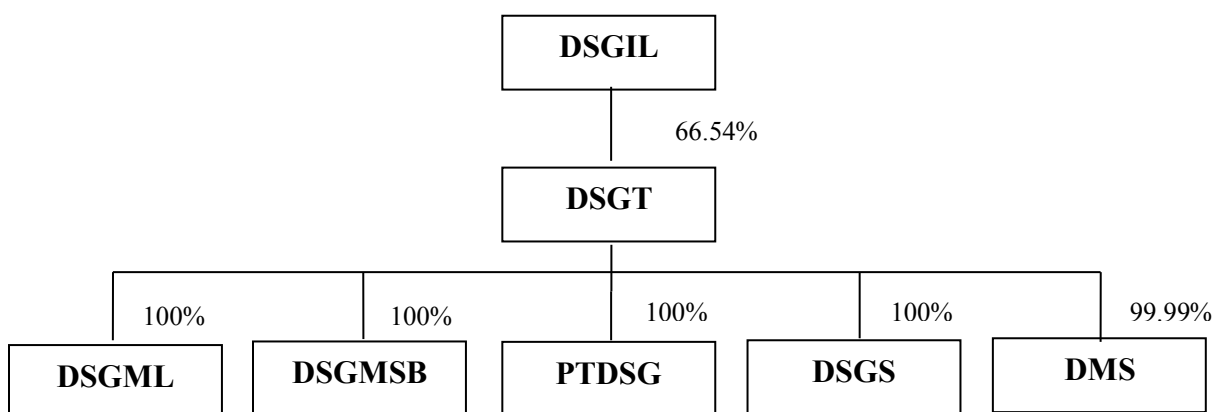


- 24 April 2013 - The Meeting of Shareholders resolved to appoint Mr. Dicky Peter Yip as an Independent Director and Audit Committee
- 17 September 2013 - Invested 99.99% shareholding of DSG Management Services (Thailand) Company Limited (“DMS”) with the registered capital of Baht 10 million
- 12 November 2013 - The Board of Directors resolved to appoint Ms. Chachanee Anantwatanapong, General Manager-Thailand, as an Executive Director
- 27 February 2014 - The Board of Directors resolved to appoint Mr. Dicky Peter Yip as the Chairman of Audit Committee
- 24 April 2014 - The Meeting of Shareholders approved the Company’s capital increase from Baht 900 million to Baht 1,260 million by issuing 360 million new ordinary shares at a par value of Baht 1 per share to accommodate the Stock Dividend at the ratio of 10 existing shares for 4 new shares.
- 18 September 2014 - Granted the Award of ‘Thailand’s Top Corporate Brand Rising Star 2014’ in the category of highest growth in corporate brand value in the sector of consumer products.

### ***1.3 Corporate Structure***

DSGT is held by the major shareholder, DSGIL for 66.54%. Currently, DSGT has fully owned five subsidiaries with operational offices and facilities in Thailand, Malaysia, Indonesia and Singapore. The corporate structure is shown as follows:

#### **Corporate Structure of the Company and its Subsidiaries 31 December 2014**



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## **DSG International Limited (“DSGIL”)**

DSG International Limited (“DSGIL”) was registered in the British Virgin Islands on 31 December 1991. DSGIL’s principal office is based in Hong Kong.

Formerly, DSGIL has subsidiaries that are in the business of manufacturing and marketing of baby and adult disposable diapers under the brand names of “BabyLove”, “PetPet”, “Fitti”, “Dispo123”, “Handy” and “Certainty” in United States of America, Hong Kong, China, Thailand, Malaysia, Indonesia and Singapore.

In 2013, DSGIL sold Associated Hygienic Products (AHP), a U.S. maker of store-brand infant diapers in United States of America to Domtar Corporation. DSGIL has remained the business in Hong Kong, China and through DSGT in South East Asia region.

DSGIL holds 66.54% of the total subscribed shares of the Company.

## **DSG International (Thailand) Public Company Limited (“DSGT”)**

DSG International (Thailand) PCL was incorporated on 20 May 1994, with the objective of manufacturing and marketing of baby and adult disposable diapers. Its brand names include “BabyLove”, “PetPet”, “Certainty” for both export and domestic markets.

DSGT holds approximately 100% in DSGML, DSGMSB, DSGS, PTDSG and 99.99% in DMS.

### **DSGT Subsidiaries**

#### ***1) Disposable Soft Goods (Malaysia) SDN BHD (“DSGML”)***

DSGML was founded on 16 October 1995 with authorised share capital of Ringgit 100,000 divided into 100,000 shares at par value of Ringgit 1 per share with the paid-up share capital of Ringgit 3. On 29 November 2004, the Company increased its authorised share capital to Ringgit 5 million divided into 5 million shares at par value of Ringgit 1 per share with paid-up share capital of Ringgit 3,000,003. DSGML operates the business of distributing and marketing of disposable baby and adult disposable diapers in Malaysia.

#### ***2) DSG (Malaysia) SDN BHD (“DSGMSB”)***

DSGMSB was founded on 2 December 1998 with authorised share capital of Ringgit 5 million divided into 5 million shares at par value of Ringgit 1 with paid-up share capital of Ringgit 2. On 8 April 1999, the Company increased its paid up share capital to Ringgit 3,400,002. Subsequently on 30 November 1999, the Company increased its authorised share capital to

Ringgit 10 million with paid-up share capital of Ringgit 3,400,002. DSGMSB operates the business of manufacturing baby disposable diapers.

### ***3) PT DSG Surya Mas Indonesia (“PTDSG”)***

PTDSG was founded on 25 April 1997 by DSGIL holding approximately 60 percent and Mr. Abdul Alek Soelystio, an Indonesian citizen, holding 40 percent with registered share capital of Rupiah 28,824 million divided into 12,000 ordinary shares at par value of Rupiah 2,402,000 and paid-up share capital of 7,200 shares at total value of Rupiah 17,294.40 million, with the objective to operate a business of manufacturing disposable baby diapers and distributing the products through PT Panca TalentaMas in Indonesia. (PT Panca TalentaMas is 95% owned by such Indonesian partner).

In December 2007, PTDSG issued 3,800 ordinary shares, of which DSGT was allotted 2,280 shares and Mr. Abdul Alek Soelystio was allotted with 1,520 shares. As at December 31, 2008, the subscription was completed with paid-up share capital of 11,000 shares. Therefore, DSGT held approximately 60% with 6,599 shares while the local shareholder held approximately 40% with 4,400 shares. The PTDSG plant is located at Cikande-Serang, Indonesia.

In December 2010, DSGT acquired the remaining of the 40% of the paid-up share capital of PTDSG from Mr. Abdul Alek Soelystio, and PTDSG became a wholly owned subsidiary of DSGT.

### ***4) Disposable Soft Goods (S) Pte Limited (“DSGS”)***

DSGS was founded on 12 August 1983 with authorised share capital of SGD 2 million, which is divided into 2 million shares at par value of SGD 1 and paid-up share capital of SGD 1.5 million, with the objective of distributing and marketing of baby and adult disposable diapers in Singapore.

On April 1, 2010, DSGS changed its business model to a distributor operation by appointing a sole distributor for all its products.

### ***5) DSG Management Services (Thailand) Company Limited (“DMS”)***

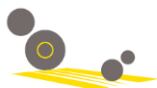
DMS was founded on 17 September 2013 with authorised share capital of Baht 10 million, with the objective of providing management services to the Company’s subsidiaries or affiliates both in and outside of Thailand.

#### ***1.4 Relationship to the Affiliates of the Major Shareholders***

DSGT operates the main business without any relationship significantly to the affiliates of the major shareholders. Although the Company has been manufacturing and marketing baby and adult disposable diapers with the same brand name as some affiliates, the market is segregated by geographical region. The Company is focus on manufacturing and distributing its products mainly in Southeast region.

However, DSGT believes that the synergy of global sourcing bargaining power, strong presence of same brand-named products and technical knowledge sharing in the existence of the affiliates would be beneficial to DSGT for operational efficiency improvement.

The detail of being dependent on DSGIL, the major shareholder of the company is stated in Risk Management and Risk Factors section.



## 2. Characteristics of Business Operation

### Revenue Structure

The Company's revenue structure and that of its subsidiaries are as shown in tables below:

#### Value of Sales of the Products of the Company's and its Subsidiaries (After Elimination of Inter-company Transactions)

	2010 <sup>1</sup>		2011 <sup>1</sup>		2012 <sup>1</sup>		2013 <sup>1</sup>		2014 <sup>1</sup>	
	MM THB	%	MM THB	%	MM THB	%	MM THB	%	MM THB	%
Domestic sales <sup>2</sup> :	4,163.20	95.33%	5,556.48	96.78%	6,520.43	97.19%	7,252.61	96.18%	7,877.87	95.31%
Export sales:	116.87	2.68%	108.54	1.89%	89.19	1.33%	150.07	1.99%	263.04	3.18%
Other sales <sup>3</sup>	87.09	1.99%	76.46	1.33%	99.11	1.48%	137.96	1.83%	124.43	1.51%
Total income	4,367.16	100.00%	5,741.48	100.00%	6,708.73	100.00%	7,540.64	100.00%	8,265.34	100%

#### Remarks:

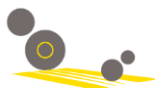
<sup>1</sup> Exchange Rate

Unit: Baht

Exchange rate	2010	2011	2012	2013	2014
1 Malaysian Ringgit	10.1676	9.9665	10.0691	9.7561	9.9403
1,000 Indonesian Rupiah	3.4808	3.4808	3.3207	2.9353	2.7419
1 Singapore dollar	23.2380	24.1667	24.8663	24.5700	25.6410

<sup>2</sup> Domestic Sales mean Sales in Thailand, Malaysia, Indonesia, and Singapore

<sup>3</sup> Other sales include sales from non-diaper products i.e. absorbent sheet, and Cool Refresh Towels



## 2.1. Characteristics of the products

The Company's and its subsidiaries' products are divided into 2 categories as follows:

### 1) Disposable Baby Diapers

#### 1.1 Disposable Baby Diaper Tape

Market	Mid-Range	Mid-Range	Mid-Range/ Mass	Mass
Brand	BabyLove Tape	PetPet Night Tape	PetPet Tape	Fitti Tape
Key Benefit	Easy Tape, Easy Adjust	One Piece All Night	Motherhood is now a little easier	Wise Choice for Mothers

#### 1.2 Disposable Baby Diaper Pants

Market	Premium	Mid-Range
Brand	BabyLove NightPants	BabyLove PlayPants
Key Benefit	One Piece All Night	Baby feels comfortable, No playing interruption

Market	Mass	Mass	Mass
Brand	BabyLove DayPants	PetPet DayPants	Fitti DayPants
Key Benefit	The best day-time diaper for good hygiene		

### 2) Disposable Adult Diapers

#### 2.1 Disposable Adult Diaper Tape

Market	Mid-Range
Brand	Certainty Tape
Key Benefit	Superior Absorbency and Dryness

#### 2.2 Disposable Adult Diaper Pants

Market	Mid-Range	Mass
Brand	Certainty SuperPants	Certainty DayPants
Key Benefit	Superior Absorbency and Dryness	Underwear-like comfort



## ***2.2. Characteristics of market and competition***

### **2.2.1. Marketing Policy**

The Company has diversified their product portfolio and competes in various product segments, ranging from premium to mass segment. In addition, the Company has strategically focused on product innovation and productivity improvement to remain competitive in the market.

#### **1) Industry Outlook for Disposable Baby Diapers:**

Baby diaper growth generally continues to be healthy across Thailand, Malaysia, and Indonesia as a result of the country demographics. Strong population growth coupled with increasing affluence and urbanization represent the key growth drivers for the future, and present significant opportunities.

The key demographics of over 600 million population in South East Asia, and robust birth rate in most of the countries, poses a dynamic market for the Company to sustain robust growth in the future.

#### **2) Industry Outlook for Disposable Adult Diapers:**

Demographics also indicate a strong future for the adult diaper market growth in South East Asia. The population will continue to age at varying rates per country, with Thailand and Singapore leading in terms of the percentage of elderly (65 and above), while Malaysia and Indonesia will form the basis of aging population in the longer term. This, coupled with increased life expectancy as well as increasing affluence, augurs well for the long-term growth of the adult diaper market.

### **2.2.2. Market Competition**

The market for disposable diapers has experienced continual growth, resulting in strong competition in terms of price, quality and marketing investments. The main competitors of the Company and its subsidiaries are 1) Unicharm, the manufacturer of baby diapers under the brand name of Mamy Poko, and the manufacturer of adult diapers under the brand name of LiFree; 2) SCA, the manufacturer of baby diapers under the brand name of Drypers in Asia, and the manufacturer of adult diapers under the brand name of Tena; 3) Kimberly-Clark, the



manufacturer of baby diapers under the brand name of Huggies; 4) Procter & Gamble, the manufacturer of baby diapers under the brand name of Pampers; 5) Elleair, the manufacturer of baby diapers under the brand name of Goo.n.; 6) Kao, the manufacturer of baby diapers under the brand name of Merries. All of them are companies of significant size and resources, with significant influence on pricing, consumer and trade promotional activities and sales as well as technology innovation.

### ***2.3 Procurement of Raw Materials***

Raw materials used in the manufacture of disposable baby and adult diapers are wood pulp, non-woven moisture transfer/blockage sheets, glues and Super Absorbent Polymer (“SAP”), whose total cost make up more than half of total cost of raw materials. DSGIL, which is the parent company of the Company, has entered into supplier purchasing arrangement with several key suppliers/distributors. The procurement of the raw materials under those arrangements also includes the Company and its subsidiaries’ purchase of raw materials. The consolidation of demand of DSGIL and its affiliates provides bargaining power with the suppliers.

The raw materials used in the production of baby and adult diapers have the characteristics of being commodity and imported raw materials. The cost of the raw materials are subject to global supply and demand and can fluctuate on several factors such as crude oil price, production capacity etc.

### **3. Risk Factors**

The Company implements Risk Management policies to mitigate all foreseeable potential risks and govern the mitigation plan in achieving its goal.

The risk factors mentioned in this clause are risks of material significance that may have a negative impact on the Company and the Company's shares price. However, this does not include other risk factors that are not known to the Company at the present time or which the Company deems to be risks of no material significance at the present time. Any forward-looking statements from the Company are also subject to certain risks and uncertainty. Caution should be taken not to place undue reliance on any such forward-looking statements.

#### **Risk from the fluctuation of raw material prices**

Important raw materials used in the manufacture of disposable baby and adult diapers are wood pulp, non-woven sheets, glues and Super Absorbent Polymer ("SAP"), whose total costs make up more than half of the total cost of production. These raw materials have the characteristics of being commodities, of which the prices are subject to global supply and demand and can fluctuate due to external factors, such as oil price, supplier production capacity, global demand etc. The fluctuation of raw material costs has a direct impact on production costs and gross profit of the Company and its subsidiaries.

As crude oil prices are increasing in volatility due to geo-political uncertainties, there exists the possibility that the disposable diaper industry could face greater volatility in raw material prices.

Mitigation Approach: The Company mitigates the supply and foreign exchange risks for raw material purchases with local source supply and also cooperates with group central purchasing for global sourcing to ensure cost competitiveness.

#### **Risk from being dependent on DSGIL, the major shareholder of the Company**

The Company is a subsidiary of DSG International Limited ("DSGIL"), which has various affiliates in the business of manufacturing and distribution of baby and adult disposable diapers. The Company and its subsidiaries are dependent on DSGIL in the following major primary areas:



- 1) ***Procurement of Raw Materials:*** DSGIL has entered into supplier purchasing arrangements with several suppliers/distributors. The said procurement of the raw materials under those arrangements also include the Company's and its subsidiaries' purchase of raw materials. The consolidation of raw material demand of DSGIL and its affiliates provides bargaining power with the suppliers. However, the price of raw materials in each region might be different due to the demand and freight cost in each respective region.
- 2) ***Research and Development:*** The research and development of the Company and of its subsidiaries is conducted by DSGIL, which innovates and develops new materials and technologies for new products and product improvements. The Company and its subsidiaries have the option to choose to use or not to use and to apply or not to apply the new materials and technologies. Major product quality improvements and new product introductions are, therefore, dependent on the Research and Development of DSGIL.
- 3) ***Operation/Management Assistance:*** DSGIL provides management services to the Company and its subsidiaries. The Company and its subsidiaries pay management fees to DSGIL under the Management Agreement, based on the level of services provided by DSGIL. The said agreement will be automatically renewable unless either party decides to terminate the Agreement by way of giving a written notice to the other party at least 12 months before the expiration of the Agreement
- 4) ***Trademark License:*** The Company and its subsidiaries in Thailand and Malaysia pay the royalty fee for the use of the said trademark at 1.5% while PTDSG pay 2.5%, the contract of which is renewable automatically every year for a further one year term.

Mitigation Approach: The Company believes that DSGIL as a major shareholder, is committed to continue providing support the operations for the Company and its subsidiaries as a result of DSGT Group's performance as a flagship in South East Asia (SEA) as well as the regional hub to under-penetrated emerging markets in Asean Economic Community (AEC).

***Risk from related companies which are affiliates of DSGIL operating in the same business***

DSGIL, the parent company, owns other affiliated companies other than the Company and its subsidiaries. Those affiliates are also in the same business of manufacturing and marketing of baby and adult disposable diapers as that of the Company and its subsidiaries. In that sense, each of the affiliates of DSGIL is a potential competitor of the Company and its subsidiaries; and the Company and its subsidiaries are potential competitors to each of these affiliated companies of DSGIL. Such affiliates are wholly owned by DSGIL and are located in Hong Kong, and the People's Republic of China. Moreover, some of the directors /management of the Company and its subsidiaries are the directors/management of related companies.



DSGIL and its affiliates have covenanted not to compete against, nor to allow, permit or license the Trademark to any third person to compete against the Company and its subsidiaries in production, sales, and/or distribution of the disposable diapers or any related product manufactured with the Trademarks in the Licensed Territory (namely Thailand, Malaysia, Indonesia, and Singapore), unless the sales and distribution are made by means of inter-company sales through the Company and its subsidiaries until the termination of Trademark License Agreement, which is automatically renewable for a period of one year.

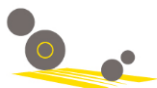
**Mitigation Approach:** Through Licensed Territory, the Company and its subsidiaries is capable to conduct its business through geographic expansion in South East Asia and high market growth in AEC or any countries currently not being penetrated by DSGIL and its affiliates except by means of inter-company sales.

**Risk from market competition**

The market for disposable diapers has experienced continual growth, resulting in strong competition in terms of price, quality and marketing investments. The main competitors of the Company and its subsidiaries are 1) Unicharm, the manufacturer of baby diapers under the brand name of Mamy Poko, and the manufacturer of adult diapers under the brand name of LiFree; 2) SCA, the manufacturer of baby diapers under the brand name of Drypers in Asia, and the manufacturer of adult diapers under the brand name of Tena; 3) Kimberly-Clark, the manufacturer of baby diapers under the brand name of Huggies; 4) Procter & Gamble, the manufacturer of baby diapers under the brand name of Pampers. 5) Elleair, the manufacturer of baby diapers under the brand name of Goo.n. 6) Kao, the manufacturer of baby diapers under the brand name of Merries. All of them are companies of significant size and resources, with significant influence on pricing, consumer and trade promotional activities and sales as well as technology innovation.

The Company and its subsidiaries with their management quality standard certification ISO 9001: 2008, have a process of production control to ensure the products meet established quality and standards and receive acceptance from the consumers. Moreover, DSGIL, as the parent company, continuously makes efforts to study and search for better raw materials to ensure that the products are competitive.

In the fast moving consumer good (FMCG) industry, the Company has been constantly subject to pricing competition from its competitors. The Company managed its pricing strategy to avoid price erosion but maintaining its market share.



**Mitigation Approach:** Owing to high competition in disposable diaper market, the Company and its subsidiaries have made relentless effort to create the value through innovation in many aspects and deliver the best results to its customers and consumers. The Company has periodically reviewed its pricing mechanism including the appropriate advertising and promotion to be competitive in the market.

**Risk from fluctuation of exchange rate**

As most of the Company's and its subsidiaries' raw materials are imported, the Company and its subsidiaries may be impacted by exchange rate fluctuations, which will directly impact raw materials costs and the gross profit. Most of the imports as well as exports of the Company and its subsidiaries are in US dollar denomination.

Besides the impact on raw material costs, the fluctuation of exchange rates also has an impact on the presentation of the Company's financial statements as the Company must record and report its investments in various subsidiaries in its Financial Statements in Thai Baht.

**Mitigation Approach:** The Company and its subsidiaries have continuously attempted to reduce such risks by entering into forward exchange contracts.

**Risk from political or economic situations and other factors from countries in Southeast Asia**

The Company has subsidiaries that produce and market disposable baby and adult diapers in Malaysia, Indonesia and Singapore. Therefore any changes in the economic, political and trade policies, such as tariff rates and trade restrictions, of any of these countries may have an impact on the operation of the Company and its subsidiaries.

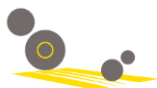
In 2014, the economic slowdown has influenced on overall customer's consumption in many aspects. The Thai economy has been slowly recovering from the recent change of new Government. Malaysian consumer sentiment, besides due to reduction of fuel and sugar subsidies, was also subdued by the uncertainty surrounding the GST introduction in April 2015. The planned major fuel price hike in Indonesia might hurt consumption short-term, though this might have positive impact on the fiscal position of the Country.

**Mitigation Approach:** Although the Company's products are related to the human necessity, the Company has incorporated the external factors in its business planning and risk management especially during economic slowdown condition.

### **Risk from natural disasters**

After the worst flood crisis in Thailand encountered its worst flood crisis in 70 years in 2011, due to heavy and widespread rainfall in major areas of the country during the rainy season influenced by monsoon storms. The worst floods were in October and November 2011, causing substantial hardship to Thailand's people and economy. As the Company's main facilities are located in Thailand, there is the possibility that recurrence of such acts of nature may again result in business disruption.

Mitigation Approach: After moving its stocks to a single integrated warehouse facility in Saraburi in 2013, the Company has continuously employed various measures to protect its facilities by following Hemaraj Saraburi Industrial zone for a contingency plan in anticipation of future flooding and daily report during flood situation.



## 4. Assets Used in Business Operation

### 4.1 Fixed assets of the Company and its subsidiaries

The Company and its subsidiaries have fixed assets used in the operation of the Company and its subsidiaries.

Book value of fixed assets used in the operation of the business of DSGT and its subsidiaries according to the details as follows:

Unit: Million Baht

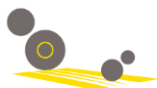
Assets of the Company and its subsidiaries	Cost Price as of		Estimated useful Lives (years)	Net Book Value as of	
	31 Dec 2013 (Audited)	31 Dec 2014 (Audited)		31 Dec 2013 (Audited)	31 Dec 2014 (Audited)
Land	36.18	36.15	-	36.18	36.15
Buildings	919.52	878.41	20-33	813.97	743.76
Building improvements	66.71	165.50	5 - 20	57.06	145.69
Machines and Office Equipment	2,496.55	3,236.76	3-20	1,646.84	2,244.81
Furniture and Fixture	43.09	52.06	4-10	14.16	16.10
Vehicles	12.09	10.10	4-8	1.51	1.82
Work under construction	494.85	523.58	-	494.85	523.58
<b>Total</b>	<b>4,068.99</b>	<b>4,902.56</b>		<b>3,064.57</b>	<b>3,711.91</b>

Type of assets	Net Book value As of 31 December		Obligations
	2013 (Audited)	2014 (Audited)	
<b>Land:</b> <b>DSGT</b> - 15 rai of land at the Industrial Zone of SIL Industrial Zone Co., Ltd., in Bua Loy Subdistrict, Nong Khae District, Saraburi Province.	30.00	30.00	None
<b>PTDSG</b> - 25 rai of land at Cikande-Serang in Indonesia.	6.18	6.15	Pledged as collateral for banking facility





## Part 1 Business Operation



Type of assets	Net Book value As of 31 December		Obligations
	2013 (Audited)	2014 (Audited)	
<b><u>PTDSG</u></b> - Machines, spare parts, tools & office equipment.	9.53	115.68	Machines (including machines which are under installation process) and equipment, have been pledged as collateral for banking facility
<b><u>DSGS</u></b> - Tools and office equipment.	-	-	None
<b><u>DMS</u></b> - Tools and office equipment.	-	0.07	None

**Remarks:**

Building, machine and equipment of the Company and its subsidiaries are covered with insurance.

## **Summary of Lease Agreement**

### ***1. Lease of space within the Commercial Building***

Lease parties	Lessee: DSGT Lessor: Rajdamri Building Co., Ltd.
Objective	Lease of space in a commercial building at No.183, Rajdamri Road, Lumpini, Pathumwan for use as the office of DSGT.
Period of lease	3 years with effect from 1 January 2013 to 31 December 2015.
Rental rate	The Lessee shall pay for the rent and service fee to the Lessor on monthly basis at the following rate.

<b>Lease Term</b>	<b>Lease Space (Sq.m.)</b>	<b>Monthly Fee (Baht)</b>
1 Jan 2013 – 31 Dec 2013	965	443,900
1 Jan 2014 – 31 Jun 2014	865*	397,900
1 Jul 2014 – 31 Dec 2015	865*	406,550

\*On November 15, 2013, the Lessee has amended the leased space from 965 sq.m. to 865 sq.m., effective from January 1, 2014 until end of agreement.

Renewal of lease	The Lessor promises that the Lessor shall permit the DSGT to renew the lease under the same terms of lease if DSGT gives a notice of its intention to renew the lease not less than 3 months before expiry of the Lease Agreement.
Termination of Lease Agreement	If the Lessee shall fail to comply with the lease agreement, the lessor shall have the right to terminate the lease agreement and claim for damages.

### ***2. Lease of Land and Warehouse Agreement***

Lease parties	Lessee: DSGT
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Lessor: WHA Corporation PLC.

(Previously named “WHA Corporation Co., Ltd.”)

**Objective** Lease of land and warehouse which will be constructed in 3 plots of land in Hemaraj Saraburi Industrial Land, Tumbol Nongplamoh, Amphur Nongkae, Saraburi Province for use as warehouse and production line.

**Period of lease** 10 years with effect from 1 September 2012 to 31 August 2022.

**Rental rate** The Lessee shall pay for the rent to the Lessor on quarterly basis in advance at the following rate per quarter.

Lease Term	Fee per Quarter (Million Baht)		
	Rental fee	Service fee	Total Rental and Service fee
Sep 1, 2012 – Aug 31, 2015	6.88	4.59	11.47
Sep 1, 2015 – Aug 31, 2018	7.40	4.93	12.33
Sep 1, 2018 – Aug 31, 2021	7.96	5.30	13.26
Sep 1, 2021 – Aug 31, 2022	8.55	5.70	14.25

**Renewal of lease** The Lessor promises that the Lessor shall permit DSGT to renew the lease under the same terms of lease if DSGT gives a notice of its intention to renew the lease not less than 12 months before expiry of the Lease Agreement.

**Termination of Lease Agreement** If the Lessee shall fail to comply with the lease agreement, the lessor shall have the right to terminate the lease agreement and claim for damages.

### ***3. Lease of Land and Warehouse Agreement***

**Lease parties** Lessee: DSGT  
Lessor: WHA Corporation PLC.  
(Previously named “WHA Corporation Co., Ltd.”)

Objective	Lease of land and warehouse which will be constructed in additional 1 plot of land in Hemaraj Saraburi Industrial Land, Tumbol Nongplamoh, Amphur Nongkae, Saraburi Province for use as warehouse of finished goods.
Period of lease	10 years with effect from 1 November 2013 to 31 October 2023.
Rental rate	The Lessee shall pay for the rent to the Lessor on quarterly basis in advance at the following rate per quarter.

Lease Term	Fee per Quarter (Million Baht)		
	Rental fee	Service fee	Total Rental and Service fee
Nov 1, 2013 – Oct 31, 2016	6.49	4.27	10.76
Nov 1, 2016 – Oct 31, 2019	6.97	4.59	11.56
Nov 1, 2019 – Oct 31, 2022	7.50	4.94	12.44
Nov 1, 2022 – Oct 31, 2023	8.06	5.31	13.37

Renewal of lease	The Lessor promises that the Lessor shall permit DSGT to renew the lease under the same terms of lease if DSGT gives a notice of its intention to renew the lease not less than 12 months before expiry of the Lease Agreement.
Termination of Lease Agreement	If the Lessee shall fail to comply with the lease agreement, the lessor shall have the right to terminate the lease agreement and claim for damages.

#### ***4. Land lease Agreement***

Lease parties	Lessee: DSGML Lessor: Pelaburan Hartanah Bhd
Objective	Lease of space in an office building at Selangor Darul Ehsan as an office of DSGML.

Period of lease	3 years with effect from 1 January 2014 until 31 December 2016,
Rental rate	The Lessee shall pay for the rental fee and service charge to the Lessor on monthly basis at 33,478.20 Malaysia Ringgit.
Renewal of lease	The Lessor agrees that the Lessor shall permit the DSGML to renew the lease for another 3 years on monthly basis at the rate to be mutually agreed to having regards to the prevailing market rate.
Termination of Lease Agreement	If the Lessee shall fail to comply with the lease agreement, the lessor shall have the right to terminate the lease agreement and claim for damages.

#### ***5. Sub-lease Agreement of the Residence Unit***

Lease parties	Sub Lessee: DSGT Sub Lessor: Rajadamri Residence Co., Ltd.
Objective	Lease of Residence unit for business purpose
Period of Sub-lease	363 months with effect from 30 September 2011 until 28 February 2041.
Rental rate	The Sub-Lessee paid total rental fee at Baht 75,140,472 for 363 months (recognized as monthly fee in Baht 215,218).
Renewal of lease	The Sub-Lessor shall offer to renew the sub-lease of the Residence Unit for the same period for which the Master Lease has been renewed and Sub-Lessee is not in breach of any material term and conditions. The renewal fee shall be allocated costs. Fee and charged associated with such renewal on the proportional basis (in Sub-Lessor's fair and reasonable judgement) among occupants of this project.

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Termination of Lease Agreement	If the Sub-Lessee shall fail to comply with the lease agreement, the Sub-Lessor shall have the right to terminate the lease agreement and claim for damages.
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## ***6. Leasehold right of land for new factory in Malaysia***

Property	A leasehold land located at Telok Panglima Garang, Banting, Selangor, Malaysia
Objective	Lease of land at Telok Panglima Garang, Banting, Selangor, Malaysia as a site for the warehouse and production facilities of DSGMSB.
Period of lease	Approximately 83 years, starting from 17 December 2010 until 9 April 2094.
Rental rate	The Lessee paid total rental fee at 14,410,560.70 Malaysian Ringgit.

## ***7. Office lease Agreement***

Lease parties	Lessee: PTDSG Lessor: PT MENARA DUTA
Objective	Lease of office space at Menara Duta, Jakarta as an office of PTDSG.
Period of lease	3 years with effect from 1 November 2014 until 31 October 2017.
Rental rate	The Lessee shall pay for the rent and maintenance charges to the Lessor on quarterly basis at 233,773,800 Indonesia Rupiah. The service charge is a subject to annual review.
Termination of Lease Agreement	If the Lessee shall fail to comply with the lease agreement, the lessor shall have the right to terminate the lease agreement and claim for damages.

### Entitlement to privileges and incentives from the Board of Investment

On July 16, 2008, the Company received another investment promotion certificate which the Board of Investment approved the promotion for the diapers by receiving the exemption of custom duties for machinery and the exemption for corporate income tax on profit derived from the promoted business which is not over 100% of its investment that excluded cost of land working capital for the period of 7 years from the date income is first derived from the promoted businesses. Shareholders of the Company will receive exemption from tax on dividends received during the period granted.

On December 22, 2010, the Company received another investment promotion certificate which the Board of Investment approved the promotion for manufacturing of diapers by receiving the exemption for corporate income tax on profit derived from the promoted business which is not over 100% of its investment that excluded cost of land and working capital for the period of 7 years from the date income is first derived from the promoted businesses. Shareholders of the Company will receive exemption from tax on dividends received during the period granted.

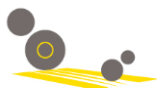
On August 8, 2011, the Company received another investment promotion certificate which the Board of Investment approved the promotion for manufacturing of diapers by receiving the exemption for corporate income tax on profit derived from the promoted business which is not over 100% of its investment that excluded cost of land and working capital for the period of 7 years from the date income is first derived from the promoted businesses. Shareholders of the Company will receive exemption from tax on dividends received during the period granted.

On April 20, 2012, the Company received another investment promotion certificate which the Board of Investment approved the promotion for manufacturing of diapers by receiving the exemption for corporate income tax on profit derived from the promoted business which is not over 100% of its investment that excluded cost of land and working capital for the period of 7 years from the date income is first derived from the promoted businesses. Shareholders of the Company will receive exemption from tax on dividends received during the period granted.

On November 30, 2012, the Company received another investment promotion certificate which the Board of Investment approved the promotion for manufacturing of diapers by receiving the exemption for corporate income tax on profit derived from the promoted business which is not over 100% of its investment that excluded cost of land and working capital for the period of 7 years from the date income is first derived from the promoted businesses. Shareholders of the Company will receive exemption from tax on dividends received during the period granted.

On September 3, 2013, the Company received another investment promotion certificate which the Board of Investment approved the promotion for manufacturing of diapers by receiving the exemption for corporate income tax on profit derived from the promoted business which is not over 100% of its investment that excluded cost of land and working capital for the period of 7 years from the date income is first derived from the promoted businesses. Shareholders of the Company will receive exemption from tax on dividends received during the period granted.





On March 14, 2014, the Company received another investment promotion certificate No. 1323(2)/2557 which the Board of Investment approved the promotion for manufacturing of diapers by receiving the exemption for corporate income tax on net profit derived from the promoted business which is not over 100% of its investment that excluded cost of land and working capital (approximately Baht 641.41 million) for the period of 7 years from the date income is first derived from the promoted businesses (November 4, 2014).

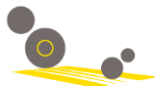
#### 4.2 Policy of investment in subsidiary

Currently the Company has invested capital in the subsidiaries in foreign countries as follows:

**Unit: Million Baht**

Company	Country	Paid-up Capital	Percentage of Investment	Value by Cost method As at 31 December	
				2013 (Audited)	2014 (Audited)
Disposable Soft Goods (Malaysia) SDN BHD ("DSGML")	Malaysia	Ringgit 3.00 Million	100.00	4.83	4.83
DSG (Malaysia) SDN BHD ("DSGMSB")	Malaysia	Ringgit 3.40 Million	100.00	73.97	73.97
PT DSG Surya Mas Indonesia ("PTDSG")	Indonesia	Rupiah 26.42 Billion	100.00	148.01	148.01
Disposable Soft Goods (S) Pte Limited ("DSGS")	Singapore	Singapore Dollars 1.50 Million	100.00	14.02	14.02
DSG Management Services (Thailand) Co., Ltd.	Thailand	Baht 10 Million	99.99	9.99	9.99
Less Allowance for impairment of investment - PT DSG Surya Mas Indonesia					-148.01
Total				<b>250.81</b>	<b>102.81</b>

The Company has the policy to invest in subsidiaries that operate in the related business to the business of the Company in order to support and promote the Company's business and to consolidate the group of companies.



In the management of the business of each subsidiary, the Company in the capacity as the holding company will send its qualified and experienced representatives who may comprise as the directors of the Company or outsiders who have qualifications and experience suitable for such type of business. The Company's representatives will have no conflict of interest with the Companies and its subsidiaries. The said representatives will administer and manage the business of the subsidiaries based on the criteria and method specified in the Articles of Association of the Company and its subsidiaries and in other relevant laws. The Company can monitor the operation by way of the quarterly report.

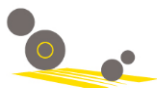
As at December 31, 2014, in consistent with Thai Accounting Standard No. 36 (Revised 2012) "Impairment of Assets", the Company has made an assessment of impairment loss to investment in PT DSG Surya Mas Indonesia, and recorded impairment loss of investment in a subsidiary amounting to Baht 148 million in the separate statement of comprehensive income for the year ended December 31, 2014 which the Company assessed such subsidiary's value from the forecasted cash flow covering a period of 7 years and using the discount rate at 13.50%. However, the Company firmly believes that the long-term strategic investment in such subsidiary could increase the shareholder's value and remain optimistic on the prospect of its business in Indonesia.

The policy and the approval of the related transaction between the subsidiaries and other related persons are prescribed in Section 10.3 Policy or trends towards executing future related transactions.



## **5. Legal Disputes**

The Company does not have any legal disputes that may have negative effects on the Company's assets that is registered more than 5 percent of the shareholders' equity as at 31 December 2014 and does not have any legal disputes that would impact its business operation with significant implication.



## 6. General and Other Key Information

Company	: DSG International (Thailand) Public Company Limited (“Company” or “DSGT”)
Nature of business	: Manufacturing and marketing of disposable baby and adult diapers
Address of the principal office	: 11 <sup>th</sup> Floor, Regent House Building, 183 Rajdamri Road, Lumpini, Pathumwan, Bangkok 10330 Thailand
Company’s registration number	: 0107547001067
Website	: <a href="http://www.dsgap.com">www.dsgap.com</a>
Telephone	: +66 2 651 8061
Facsimile	: +66 2 651 8068
Location of the Factory	: 39 Moo 1, Hemaraj Saraburi Industrial Zone, Tambon Bualoy, Amphur Nongkhae, Saraburi Province 18140 Thailand
Telephone	: +66 3 637 3633-9
Facsimile	: +66 3 637 3753-4
Registered Capital	: Baht 1,259,999,988.00
Issued and Paid-up Capital	: Baht 1,259,999,795.00
No. of Ordinary Shares	: 1,259,999,795.00 shares
Par Value	: Baht 1

### **Investor Relations**

Tel: +662 651 8061 ext. 111 or Email: [ir@dsgap.com](mailto:ir@dsgap.com)

### **Company Contact**

**DSG International (Thailand) PLC.**  
11<sup>th</sup> Floor, Regent House Building,  
183 Rajdamri Road, Lumpini, Pathumwan,  
Bangkok 10330 Thailand  
Tel: +66 2 651 8061  
Fax: +66 2 651 8068

### **Auditor**

**Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.**  
25<sup>th</sup> Floor, Rajanakarn Building,  
183 South Sathorn Road, Yannawa, Sathorn,  
Bangkok 10120, Thailand  
Tel: +66 2 676 5700  
Fax: +66 2 676 5757-8

### **Company Registrar**

**Thailand Securities Depository Co., Ltd.**  
62 The Stock Exchange of Thailand  
Building, Ratchadaphisek Road,  
Klongtoey, Bangkok 10110, Thailand  
Tel: +66 2 229 2800  
Fax: +66 2 359 1259

### **Legal Advisor**

**Vickery & Worachai Ltd.**  
16<sup>th</sup> Floor, GPF Witthaya Tower A  
93/1 Wireless Road, Lumpini,  
Pathumwan, Bangkok 10330, Thailand  
Tel: +66 2 256 6311-4  
Fax: +66 2 256 6317-8

## **Regional Offices in South East Asia**

### **Thailand**

DSG Management Services (Thailand) Company Limited (“DMS”)

#### **Office :**

11<sup>th</sup> Floor, Regent House Building, 183 Rajdamri Road,  
Lumpini, Pathumwan, Bangkok 10330 Thailand

### **Malaysia**

DSG (Malaysia) SDN BHD (“DSGMSB”)

Disposable Soft Goods (Malaysia) SDN BHD (“DSGML”)

#### **Office :**

Suites W801 & W805, 8th Floor, West Wing, Wisma Consplant 1, No. 2, Jalan SS16/4, 47500  
Subang Jaya, Selangor, Malaysia  
Tel: + 60 3 5621 8808

#### **Factory :**

No. 3 Jalan Sijangkang Utama 1, 42500 Telok Panglima Garang, Selangor, Malaysia  
Tel: +60 3 3122 1888

### **Indonesia**

PT DSG Surya Mas Indonesia (“PTDSG”)

#### **Office :**

Menara Duta 7th Floor Wing D , Jalan H.R. Rasuna Said Kav. B-9 Jakarta 12910, Indonesia

Tel. +62 21 525 6316; +62 21 525 7056

#### **Factory :**

Jl. Pancamas Raya Kav.18, Desa Leuwilimus Cikande, Serang – Banten 42186, Indonesia.  
Tel: +62 254 400 948

### **Singapore**

Disposable Soft Goods (S) Pte Limited (“DSGS”)

#### **Office :**

The Connection One 167, Jalan Bukit Merah, Tower 4, #06-12, Singapore 150 167  
Tel: +65 6274 6292