

## PART 2

### MANAGEMENT STRUCTURE AND CORPORATE GOVERNANCE

#### 7. Securities and Shareholders' Information

##### 7.1 The Company's securities

As at 31 December 2014, the Company has an authorized capital of Baht 1,259,999,988 and a paid-up capital of Baht 1,259,999,795 comprising of 1,259,999,795 shares, with a par value of Baht 1.00 per share.

##### 7.2 Shareholders

As at 31 December 2014, a name list of first 10 shareholders of the Company including the shareholding by related persons.

Name of shareholder	No. of shares held	Shareholding (%)
1. DSG INTERNATIONAL LIMITED	838,386,180	66.54
2. THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, FUND SERVICES DEPARTMENT	104,629,330	8.30
3. Thai NVDR Co., Ltd.	37,294,355	2.96
4. CHASE NOMINEES LIMITED 4	27,808,440	2.21
5. Mrs. Suwanna Anuwongnukroh	23,742,900	1.88
6. BANK JULIUS BAER & CO.LTD, ZURICH	16,086,000	1.28
7. STATE STREET BANK EUROPE LTD	11,238,480	0.89
8. Mr. Sophon Mitpanpanich	8,927,430	0.71
9. CHASE NOMINEES LIMITED 42	7,000,000	0.56
10. Miss. Siriluck Thanomkulrat	6,746,880	0.54
Other shareholders	178,139,800	14.13
Total	1,259,999,795	100.00

Remark: Total number of shareholders is 2,645.



### ***7.3 Policy on payment of dividends***

The Company has a policy to pay dividends not less than 40% of net profit after legal reserve and every category of reserves determined by the Company. However, the payment of the said dividends depends on the investment policy, the necessity and other requirements in the future. To be noted, the shareholders shall be exempted from bringing dividends earned from the BOI promoted business, which is granted corporate income tax exemption, to be included in the calculation for personal income tax throughout the period of such tax exemption.

The subsidiaries have the policy to pay dividends not less than 40% of net profit after legal reserve and every category of reserves determined by the subsidiaries. However, the payment of the said dividends depends on the investment policy, the necessity and other suitability in the future.

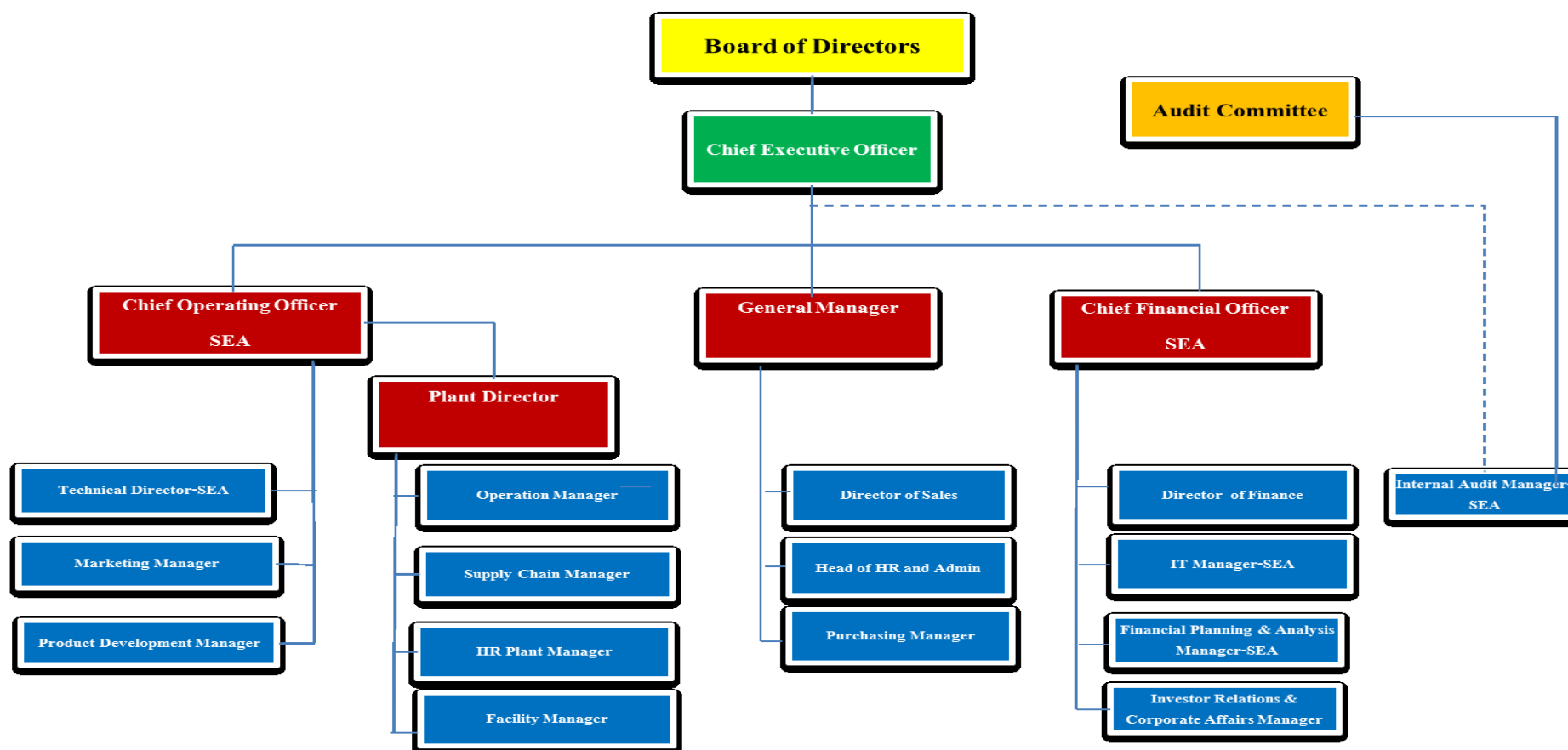
The dividend of the subsidiaries in Malaysia and Singapore will be fully remitted to the Company without any withholding taxes, whereas the dividend of the subsidiaries in Indonesia will be subject to withholding taxes.

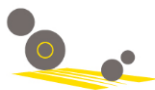


## 8. Management Structure

*The Organization Structure* as of 31 December 2014

### DSG International (Thailand) PLC





## 8.1 The Board of Directors

As at 31 December 2014, the Company's Board of Directors comprised of 8 Directors as follows:

List of Name	Position	Meeting Attendance (times/total)		
		Board of Directors	Audit Committee	AGM
1. Mr. Brandon Shui Ling Wang	Chairman of the Board	0/5	-	0/1
2. Mr. Ambrose Kam Shing Chan	Executive Director and Chief Executive Officer	5/5	-	1/1
3. Mr. Yeoh Aik Cheong	Executive Director and Chief Financial Officer	5/5	-	1/1
4. Ms. Justine Man San Wang	Executive Director and Chief Operating Officer	3/5	-	1/1
5. Ms. Chachanee Anantwatanapong	Executive Director and General Manager	5/5	-	1/1
6. Mr. Dicky Peter Yip*	Independent Director and Chairman of the Audit Committee	2/5	2/4	1/1
7. Mr. Sukporn Chatchavalapong	Independent Director and Member of the Audit Committee	5/5	4/4	1/1
8. Mr. Chwan-Der Alex King	Independent Director and Member of the Audit Committee	5/5	4/4	1/1

\*Remarks: Mr. Dicky Peter Yip was appointed as Chairman of the Audit Committee, replacing Mr. Sukporn Chatchavalapong who has occupied long services as Chairman of the Audit Committee since 2009, effective from February 28, 2014. The said appointment was approved in the Board of Directors' Meeting No.1/2014, held on February 27, 2014 and in the Annual General Meeting No.1/2014, held on April 24, 2014.

## 8.2 The Executives

As at 31 December 2014, the 5 Executives of the Company were:

Name	Position
1. Mr. Ambrose Kam Shing Chan	Chief Executive Officer
2. Mr. Yeoh Aik Cheong	Chief Financial Officer
3. Ms. Justine Man San Wang	Chief Operating Officer
4. Ms. Chachanee Anantwatanapong	General Manager-Thailand
5. Mr. Raymond Deng Hongbiao	Plant Director

## 8.3 The Company Secretary

Mr. Yeoh Aik Cheong was appointed to be the Company secretary in Board of Directors' Meeting No. 1/2013 held on 26 February 2013. The detail of his profile is in Appendix 1.



#### **8.4 Remuneration for Director and Executive**

The Company has set up a clear policy for remunerating directors and executives. The director remuneration shall be approved by shareholders' meeting, while executive remuneration shall be approved by the Board of Directors. The remuneration for directors and executives are provided at the same level as industry practices and sufficient to attract and retain capable and qualified directors and executives.

The Annual General Meeting of Shareholders No.1/2014 held on April 24, 2014 approved the directors' remuneration for year 2014 by approving the remuneration for the three Independent Directors and Member of the Audit Committee at Baht 545,000 each which is Baht 300,000 for fixed annual fee and Baht 245,000 for variable meeting allowance. Other directors are not entitled to receive the remuneration.

##### **8.4.1 Remuneration in cash**

###### **(1) Directors**

In 2014 the Company paid remuneration to 5 directors totaling Baht 1.425 million (in the form of cash remuneration: director fee)

**Unit: Million Baht**

<b>Name</b>	<b>Board</b>	<b>Audit Committee</b>	<b>Total</b>
1. Mr. Brandon Shui Ling Wang	-	-	-
2. Mr. Ambrose Kam Shing Chan	-	-	-
3. Mr. Yeoh Aik Cheong	-	-	-
4. Ms. Justine Man San Wang	-	-	-
5. Ms. Chachanee Anantwatanapong	-	-	-
6. Mr. Dicky Peter Yip	-	0.405	0.405
7. Mr. Sukporn Chatchavalapong	-	0.510	0.510
8. Mr. Chwan-Der Alex King	-	0.510	0.510

###### **(2) Executives**

In 2014 the Company paid remuneration to 5 executives totaling Baht 48 million, respectively (in the form of cash remuneration: salary and bonus payment and non-cash remuneration: fringe benefits).

##### **8.4.2 Other Remuneration**

###### **(1) Directors**

The directors shall be reimbursed for the expenses as appropriated e.g., the transportation, the accommodation and the meal.

**(2) Executives****- Provident Fund**

The Company has set up the Provident Fund and contributed 5% of each employee's salary. In 2014, the Company paid to the Provident Fund for 5 executives totaling Baht 1.52 million.

**- Employee Joint Investment Program (EJIP)**

The Company has organized EJIP program to motivate the executives and employees who outstandingly contribute to the company in the long term. The duration of program is 3 years. In 2014, the Company paid to EJIP program for 5 executives totaling Baht 19.95 million.

**8.5 Personnel**

The total number of members of the staff and employees of the Company as at 31 December 2014 were 379 persons as follows:

<b>Line of Work</b>	<b>31 December 2014</b>
Management	4
Production, QA/QC, Maintenance Department	249
Warehouse, Logistics and Materials Planning Department	26
Sales and Marketing Department	45
R&D and PMD Department	17
Administration and HR Department	13
Finance and Accounting Department	16
Internal Audit Department	0
Information Technology	3
Purchasing Department	6
<b>Total</b>	<b>379</b>

Total employees of the subsidiaries as at 31 December 2014 were 503 persons as follows:

<b>Company</b>	<b>31 December 2014</b>
DMS	14
DSGML	103
DSGMSB	289
PTDSG	95
DSGS	2
<b>Total</b>	<b>503</b>



The employees are entitled to receive the remuneration package from the company in the form of basic salary, performance bonus, provident fund and other fringe benefits.

The Company and its subsidiaries do not have any labor disputes of material importance that may impact negatively on the Company since the beginning of its business.

The Company has clear policy on the development of internal personnel by means of the enhancement of knowledge and ability by participating in seminars or on-the-job training relevant to each line of work. Moreover, the employees will be able to learn from actual performance of duty and advice from experienced personnel and by means of on-the-job training in each line of work.



## **9. Corporate Governance**

### ***9.1 Corporate Governance Policy***

The company has set up the policy in relation to supervision of the business for transparency in the operation of the Company at all levels including operating staff, executives and directors of the Company, which forms the important basis for improving operating efficiency and effectiveness of the Company for the long-term benefit of the shareholders, customers, investors and the general public. The Company has implemented its corporate governance practice as follows:

#### ***Part 1: Right of Shareholders***

The Company has recognized the importance of the shareholders' right. The Company's practices on Right of Shareholders which are in line with the good corporate governance are as follows:

- Propose directors' remuneration for shareholders' approval on yearly basis;
- Present important information for shareholders via company website – [www.dsgap.com](http://www.dsgap.com);
- Not to lessen that shareholders' right by not distributing significant information immediately on the meeting day, or not put additional agenda and allow the latecomer shareholders to attend the meeting;
- Shareholders will be able to make enquiries, express opinions and make recommendations;
- The minutes of the meetings are correctly recorded for the shareholders to inspect; and
- Provide a translator in case the shareholders' meeting is conducted in foreign language to ensure that the shareholders can completely understand the message of the meeting and can ask or express their opinions.

#### ***Part 2: Equitable Treatment of Shareholders***

The Company has treated every shareholder equally by having practices which are in line with the good corporate governance as follows:

- Deliver a meeting invitation letter together with supporting information relevant to meeting agenda to shareholders 14 days prior to the meeting date. The Company has appointed Thailand Security Depository Company Limited as the company registrar to distribute the invitation letter and other documents to shareholders. In 2014, the Company delivered the meeting invitation letter to the shareholders on April 9, 2014 and made an announcement through the newspaper for 3 consecutive days in order to inform the shareholders in advance;





- In order to facilitate the shareholders who cannot attend the meeting, the company sent the proxy form together with the invitation letter and listed the required documents for the meeting. Moreover, the Company has authorized Independent Directors/Member of Audit Committee, Mr. Sukporn Chatchavalapong as a proxy on behalf of the shareholders in the event the shareholders cannot attend the meeting;
- Post the meeting invitation letter and attachment via the Company website. In 2014, the Company posted the meeting invitation letter on the Company website on April 9, 2014;
- Set the venue and the appropriate time that is convenient for every shareholder to attend the meeting. In 2014, the Company held the Annual General Meeting of Shareholders No.1/2014 on April 24, 2014 at 10.00 am at Crowne Plaza Bangkok Lumpini Park Hotel;
- The venue was convenient for travelling by public transportation;
- Inform the resolution of the meeting after the meeting has been completed and submit and publish the minutes of the meeting on the company website within 14 days after the meeting. In 2014, the Company had informed the resolution of the meeting on April 24, 2014 and published the minutes of the meeting on the company website on May 8, 2014;
- Record the meeting in video format and post on the company website; and
- Set the protection policy in order to prevent the use of internal information by directors and management for their personal use. The detail can be found under the Use of Internal Information section.

### ***Part 3: Role of Stakeholders***

- The Company has placed high importance on the right of stakeholders including executives, staffs, competitors, creditors, state sector and other related organizations. The Company will comply with the relevant rules and regulations to ensure that the rights of these interested groups are properly attended to.
- The Company has always treated staff equally and fairly by providing suitable remuneration. The Company also provides proper welfare i.e. provident fund, group health insurance and safety policies.
- The purchase of goods and services from trading partners has proceeded according to agreed terms as well as compliance with the contracts made with trading partners. In addition, the Company's codes of conducts have defined the practice under framework of good competitive roles, not to seek information on competitors through dishonest improper means.



- In order to be a channel for stakeholders' participation, the Company has set up a channel to gather any complaints, suggestions or comments to contact with the Board of Directors via the company website or the stakeholders may send by mail or by hand to the Company.

#### ***Part 4: Information Disclosure and Transparency***

The Company discloses material information including Financial Reports and other information that are clear, concise, easy to understand, complete and adequate, reliable and timely in the Annual Registration Statement (Form 56-1), Annual Report, Company Website and via SET system. This is to ensure that all shareholders can access to the Company's information equally. The Company's practices on the Information Disclosure and Transparency which are in line with the good corporate governance as follows:

- Disclose a clear information of shareholding structure;
- Disclose the shareholding information of directors and management;
- Disclose the information on related transactions, names and relationships, transaction values including the board's opinion on the transactions;
- Quality of financial reports, the Company appointed Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., who has been certified by the Securities and Exchange Commission, as an independent auditor. The company's latest financial report was certified with unqualified opinion from the auditor;
- The Company established the Investor Relations Department to be a channel to disclose the information to the shareholders, analysts and general investors. The Investor Relations Department can be reached at 02-651-8061 ext. 111 or [ir@dsgap.com](mailto:ir@dsgap.com); and
- In order to provide the shareholders and investors access to the company's information, through various channels such as Annual Report, website and analyst meetings. In 2014, the Company has conducted various presentation through company visits, conference calls, Opportunity Day (in March and September) and Thailand Focus Conference.

#### ***Part 5: Board Responsibility***

##### **5.1 Board Structure**

- The Company's Board of Directors comprises of 8 persons (as at December 31, 2014)
  - 5 directors are executive directors
  - 3 directors are Independent Directors and Member of the Audit Committee



- One-third of the Company's directors are independent directors. Should that director have any interest in any matters, he or she will not have the right to vote on the said matters.
- The Company separates the position of Chairman of the Board of Directors and Chief Executive Officer (CEO) into 2 positions to be held by different persons in order to segregate the duty of setting up policy and business supervision from routine management. Duty and authority of the Board of Directors, Executive Board and the Audit Committee are clearly separated as detailed in Management Structure section.
- The company has an established term of office for directors in the Articles of Association that at each Annual General Meeting of Shareholders, one-third of the directors-or if their number is not a multiple three, the number nearest to one-third must retire from office. Therefore, the term of each director is set at 3 years.

## 5.2 Sub-committee

The Company's Board of Directors has appointed a sub-committee to assist on the supervision of the business as follows:

- The Audit Committee consists of 3 independent directors with a 3-year tenure. Details of the authority and duty of the Audit Committee are provided in Management Structure section.
- The person to be appointed as a member of Audit Committee must be an independent director. The company has defined the meaning of Independent Directors as per the criteria set by the Capital Market Supervisory Board Tor.Chor.14/2551 which is provided in Management Structure section.
- The Company does not have a Remuneration Determination Sub-committee. However, the wage and salary structure has been carefully considered by the Executive Committee by having an appropriate process and benchmarking with the referenced industry of similar size, including taking into consideration the company financial performance.

## 5.3 Roles and Responsibilities of the Board of Directors

- The Company's Board of Directors comprises of persons knowledgeable in, capable of and experienced in the operation of the business. The Board of Directors shall have the responsibility to set out the policy, vision, strategy, objective, mission, business plan and budget of the Company. In addition, the Board of Directors shall be responsible for the supervision of the administration and management of the operation in accordance with the established policy



efficiently and effectively within the framework of the law, objectives, Articles of Association of the Company and the resolutions of the shareholders' meeting responsibly, honestly and carefully in compliance with the good corporate governance principle. This is to maximize shareholders' value.

- The Company places great importance on the internal control system, internal audit and risk management including check and balance system to ensure that the operation of the Company is carried out in accordance with the laws. There is also a good control system to ensure maximum efficiency and effective internal control system for the Company.
- The Board of Directors considers, defines and separates clear and distinctive roles and responsibilities within itself, the Executive Committee, the Audit Committee and the Chief Executive Officer.
- The Board of Directors has appointed Mr. Yeoh Aik Cheong as the Company Secretary to be responsible for and to undertake the tasks of the Company Secretary in order to comply with Section 89/15 of the Securities and Exchange B.E. 2535 (including its amendments).
- The Company has established a Report of the Board of Directors Responsibilities for Financial Statements presented together with the Financial Statement in the Annual Report.

#### 5.4 Board Meeting

- The Company delivers the notice of Board of Directors' meeting together with supporting documents to directors for consideration before the meeting date at least 7 days in advance. This is in accordance with the minimum timeframe required by law. At least one Board of Directors' meeting is held in each quarter with additional meeting to be called if required.
- In 2014, there were totally 5 Board of Directors meetings and 1 Annual General Shareholders' Meeting (AGM). Minutes of the meetings are accurately and completely recorded in writing by Company Secretary. Minutes of the meetings, certified by the Board of Directors, will be retained for further examination by the Board of Directors and other related parties.
- The Company has set up the meeting of the Audit Committee and the external auditor without the presence of executive directors and management in order to enhance good corporate governance and transparency to the Company financial statement. The meeting is set quarterly prior to the approval of quarterly financial statements.
- In 2014, The meeting attendance is as follows:



List of Name	Position	Meeting Attendance (times/total)		
		Board of Directors	Audit Committee	AGM
1. Mr. Brandon Shui Ling Wang	Chairman of the Board	0/5	-	0/1
2. Mr. Ambrose Kam Shing Chan	Executive Director and Chief Executive Officer	5/5	-	1/1
3. Mr. Yeoh Aik Cheong	Executive Director and Chief Financial Officer	5/5	-	1/1
4. Ms. Justine Man San Wang	Executive Director and Chief Operating Officer	3/5	-	1/1
5. Ms. Chachanee Anantwatanapong	Executive Director and General Manager	5/5	-	1/1
6. Mr. Dicky Peter Yip*	Independent Director and Chairman of the Audit Committee	2/5	2/4	1/1
7. Mr. Sukporn Chatchavalapong	Independent Director and Member of the Audit Committee	5/5	4/4	1/1
8. Mr. Chwan-Der Alex King	Independent Director and Member of the Audit Committee	5/5	4/4	1/1

\*Remarks: Mr. Dicky Peter Yip was appointed as Chairman of the Audit Committee, replacing Mr. Sukporn Chatchavalapong who has occupied long services as Chairman of the Audit Committee since 2009, effective from February 28, 2014. The said appointment was approved in the Board of Directors' Meeting No.1/2014, held on February 27, 2014 and in the Annual General Meeting No.1/2014, held on April 24, 2014.

## 5.5 Remuneration

- The Company has set up a clear policy for remunerating directors and executives. The directors' remuneration shall be approved by shareholders' meeting, while executive remuneration shall be approved by the Board of Directors. The remuneration for directors and executives are provided at the same level as industry practices and sufficient to attract and retain capable and qualified directors and executives.
- The Annual General Meeting of Shareholders No.1/2014 held on April 24, 2014 approved the directors' remuneration for year 2014 by approving the remuneration for the three Independent Directors and Member of the Audit Committee at Baht 545,000 each which is Baht 300,000 for fixed annual fee and Baht 245,000 for variable meeting allowance. Other directors are not entitled to receive the remuneration.

## ***9.2 Sub Board of Director Committee***

The Management Structure of the Company was comprised of 3 boards, namely, the Company's Board of Directors, the Executive Committee and the Audit Committee.

### Scope of Duties and Powers of the Company's Board of Directors

1. The Company's Board of Directors may appoint another person to run the operation of the Company under the supervision of the Board of Directors or grant the said person the power within the time-frame as the Board of Directors shall see fit. The Company's Board of Directors may cancel, revoke, change or amend such power. For this purpose, the Board of Directors grants power to the Executive Committee to have the duty and power to perform various works with the details of authorization within the jurisdiction of the Executive Committee. The said granting of power shall not be characterized by the granting or sub-granting of power that enables the Executive Committee or the authorized person of the Executive Committee to approve a transaction that the authorized person himself or the person who may have a conflict of interest or may have conflicts of other interests (as prescribed in the Notification by the Securities and Exchange Commission) with the Company or its subsidiaries except the approval of the normal business course transaction pursuant to criteria approved by the Board of Directors of the Company.
2. The Company's Board of Directors shall have power to determine, revise and change the name of the Company's authorized directors who have the power to sign binding on the Company.
3. The Company's Board of Directors may pay an Interim Dividend to the shareholders from time to time when it deems that the Company has had reasonable operating profit to do so and to report to the next meeting of the shareholders for acknowledgement.
4. The Company's Board of Directors must discharge its duty in accordance with the law, objectives and the Articles of Association of the Company as well as the resolutions of the meeting of the shareholders unless it is a matter that must be approved by the Meeting of the Shareholders before the discharge of such duty. For instance, the matters, which require the approval of the Meeting of the Shareholders, significant related parties transactions and the trading in important assets according to the Regulations of the Stock Exchange of Thailand or as determined by other governmental organizations.
5. The Company's Board of Directors must call a meeting at least once every three months at which not less than half of total directors attend. A resolution of the meeting of the Board of Directors must have a majority vote. One director shall be entitled to one vote, unless the director has an interest in any particular matter, in which case he or she shall not be entitled to vote on said matter. And if the vote is equal, the Chairman



of the meeting shall have a casting vote.

6. The Company's Board of Directors must arrange for the Ordinary Meeting of the Shareholders to be held within 4 months of the end of the Company's accounting period.
7. A director must inform the Company for information without delay of in case he or she has had an interest, whether direct or indirect, in any contract entered into by the Company or in the case of shares or debentures of the Company or its subsidiaries held by the director having increased or decreased.
8. A director must not engage in a business of similar conditions to or in competition with the Company's business or enter into being an ordinary partner or an unlimited partner in a limited partnership or be a director of a limited company or another public company, which operates a business of similar condition to and in competition with the Company's business, irrespective of whether or not for the director's own interest or other persons' interest unless a notice thereof has been given to the meeting of the shareholders for acknowledgement before adopting a resolution appointing such director.
9. A director shall have the power to consider, approving the borrowing of money, the obtaining of credit line, of debt restructuring or of issuance debt instruments including the provision of collateral, or security against the loan or credit or the application for any credit facility by the Company.

#### Scope of the Duties and Powers of the Company's Executive Committee

1. To operate and manage the business of the Company in every respect according to the objectives, regulations, policies, procedures, requirements, orders and resolutions of the Meeting of the Board of Directors and/or of the Meeting of the Shareholders of the Company.
2. To consider setting forth the policy, direction and strategy of the operation of the business of the Company; to determine the financial plan and budget to be presented to the meeting of the Board of Directors and to supervise and direct the performance of the Working Committee to ensure the achievement of the established target.
3. To consider the allocation of annual budget as proposed by the Management prior to being further proposed to the Meeting of the Board of Directors of the Company for consideration and approval.
4. To have power to consider and approve funds for the normal operation of the Company's business.
5. To have power to set out policy in relation to the wage and salary structure of the Company.
6. To approve significant capital investments as determined in the annual budget as may be assigned by the Company's Board of Directors or according to the resolution of the Company's Board of Directors giving approval in principle.





7. To have power to consider and approve the granting of any loan or credit by the Company to the Company's subsidiaries in the proportion of shareholding and subject to the Company's approval power criteria.
8. To have power to consider and approve the borrowing of any funds, the obtaining of any credit line, the debt restructuring or the issue of debt instruments and the provision of security, the underwriting of loans or credit facilities of the Company for proposal to the meeting of the Company's Board of Directors.
9. To serve on the Management Advisory Board in relation to financial policy, marketing, personnel administration and other operational measures.
10. To perform other activities as may be assigned by the Company's Board of Directors from time to time.

The undertaking of power as well as the granting of power to other persons as deemed appropriate shall exclude the power and/or the granting of power to approve any items in which a member of the Executive Committee or a person may have an interest or a benefit of other description that is in conflict with the Company or its subsidiaries. The approval of items of the said characteristic must be proposed to the meeting of the Company's Board of Directors and/or the meeting of the shareholders to consider approving the said items subject to the Articles of Association of the Company or the relevant law.

At the meeting of the Executive Committee, not less than two-thirds of the total number of the members of the Executive Committee must be present. However, the Executive Committee can authorize another committee member, who is not an independent director to attend the meeting in lieu. The attending members of the Executive Committee are to elect one of the participants to be the chairman of the meeting. One attending member shall have one vote in casting the vote, unless the member who may have had interest in any matter is not entitled to cast a vote on said matter. A resolution of the Executive Committee shall be adopted by a majority of votes and if the vote is equal, the Chairman shall cast the deciding vote to resolve the issue.

#### Scope of Duties and Powers of the Company's Audit Committee

1. To review the Company's financial reports process to ensure that they are accurate and adequate;
2. To review the internal controls and internal audit functions to ensure that they are suitable and efficient. To consider the independence of party and to give the opinion on the appointment, transfer or stop hiring of the internal audit officer;
3. To review the Company's compliance with laws on Securities and Exchange and regulations of SET and other business laws;





4. To consider, select and nominate the Company's external auditors and their remunerations and conduct a meeting with the auditor at least once per year without management present;
5. To consider transactions related to, or transactions that may cause conflicts of interest, to comply with the laws and the SET's regulation, and are reasonable and for the highest benefit of the Company;
6. To prepare an audit committee report by setting the minimum detail:
  - 6.1 accurateness, completeness and credibility of the Company's financial report
  - 6.2 adequacy of the firm's internal control system
  - 6.3 compliance with SEC's and SET's laws and regulations and other laws relevant to the Company's business
  - 6.4 suitability of the external auditor
  - 6.5 transactions that may cause conflicts of interest
  - 6.6 the number of committee meetings and attendance of each member
  - 6.7 other concerns that have arisen as the audit committee performed its duties as defined in the committee's charter
  - 6.8 other matters which should be made available to shareholders and general investors within the scope of duties and responsibilities assigned by the Board.
7. To perform any other duties as assigned by the Board of Directors.

### ***9.3 Selection Process and Appointment of Directors and Executive Directors***

As the Company does not have an ad hoc Recruitment Committee, persons who will be elected and appointed as a director or an executive of the Company must possess the qualifications of the Public Company Act B.E. 2551 and the Articles of Association of the Company and must not possess prohibitive characteristics pursuant to the Notification of the Securities and Exchange Commission of Shares.

#### **Composition and Appointment of the Company's Board of Directors**

The Company's Board of Directors must be comprised of not less than 5 directors and not more than 10 directors who shall be elected by the shareholders' meeting. Not less than half of the number of directors shall reside in Thailand. The Articles of Association of the Company provides for the shareholders' meeting to elect directors according to the rules and method as follows:

1. Each shareholder shall have one (1) vote per share;
2. Each shareholder shall exercise all votes that he/she has under (1) to elect one (1) or several persons as director or directors. Should the shareholders elect several directors, no shareholder can divide his/her vote for any persons or group to any extent at all.



3. The candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. Where the votes cast for candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the chairman cast a deciding vote.

At every annual general ordinary meeting, one-third of the directors shall vacate the office at such time. If the number of directors cannot be divided into a multiple of 3, the number nearest to one-third of the directors shall then vacate the office. The directors who vacate the office may be re-elected.

#### Composition and appointment of the Executive Committee

The Company's Board of Directors shall appoint the Executive Committee from among a number of directors of the Company.

#### Composition and appointment of the Audit Committee

The Company's Board of Directors shall appoint the Audit Committee to be elected from among at least 3 persons possessing full qualifications according to the Notification of the Stock Exchange of Thailand. The member of the Audit Committee shall be in office for a 3-year term.

#### Qualifications and Criteria for recruitment of the Audit Committee

The Member of the Audit Committee must be an Independent Directors. The company has defined the meaning of "Independent Directors" as per the criteria set by the Capital Market Supervisory Board Tor.Chor.14/2551 as follows:

1. Holding shares not exceeding 1.0 percent of the total number of voting rights of the company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, including the shares held by related persons of the independent director.
2. Neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the company, its parent company, subsidiary, affiliate, same-level subsidiary or juristic person who may have conflicts of interest unless the foregoing status has ended not less than two years prior to the appointment.
3. Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the company or its subsidiary.



4. Not having a business relationship with the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, in the manner which may interfere with his independent judgment, and neither being nor having been a major shareholder, non-independent director or executive of any person having business relationship with the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years prior to the appointment.
5. Neither being nor having been an auditor of the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years from the appointment.
6. Neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million Baht from the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing relationship has ended not less than two years from the appointment date.
7. Not being a director who has been appointed as a representative of the company's director, major shareholder or shareholders who are related to the company's major shareholder.
8. Not having any characteristics which make him incapable of expressing independent opinions with regard to the company's business affairs.

#### ***9.4 Corporate Governance for Subsidiaries and Joint-Venture***

The Company has applied the compliance to the corporate governance and compliance policy to its subsidiaries and business partners.

#### ***9.5 Corporate Governance for Use of Insider Information***

The Company has a policy to prohibit directors and executives from using internal information, which is not yet publicly disclosed, for personal interest. This unauthorized use includes the buying/selling of the Company's securities by directors, executives and employees who can receive the inside information. Efforts should be made to avoid trading the Company's shares for at least a 1-month period before public disclosure of the financial statement.



The Company must notify the executives regarding the report of the shareholding and the change on shareholding of the Company's shares by the executives, their spouses and minor children to the Office of the Securities and Exchange Commission and of any potential penalties under the Securities and Exchange Act B.E. 2551 (2008).

If the directors, the executives and employees violate or fail to comply with the Company's policy on the trading in securities by using inside information, the Company will take disciplinary action against such directors, executives, or employees by firstly giving a written warning, then deduction of pay, then temporary suspension of work without pay, and ultimately dismissal from employment depending on the gravity of such offence.

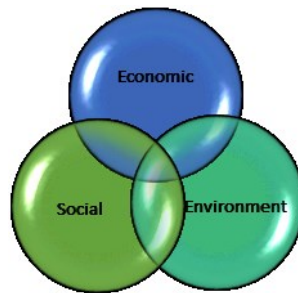
## 10. Sustainable Development

The Company has realized that its business and responsibility to society are inextricably linked. Those are the key practices to drive its sustainable growth. The Company has created strategies, governance structures, corporate policies, commitment statements and codes of conduct that embed corporate responsibility into its daily operations and manage effective stakeholder engagement process.

### 1. Corporate Social Responsibility

The Company has set up the practices in relation to corporate social responsibility in the operation of the Company at all levels including operating staff, executives and directors of the Company, which forms the important basis for improving operating efficiency and effectiveness of the Company for the long-term benefit of the shareholders, customers, investors and the general publics. The Company is committed to maximizing its contribution to sustainable development including the health and welfare of society with accountability to stakeholder's interest and respect for the rule of law.

The Company has implemented its corporate social responsibility practices in various aspects as follows:



### Economics Success

#### *Internal perspectives:*

The Company has committed to building the strong growth and position for future growth in disposable diapers business. With its investment in the infrastructure and production facilities in the past few years, the Company has prepared for the capacity expansion to cover the increase in sales turnover and market share in South East Asia.

To sustain its business growth in the long term, the Company has managed the cost control in order to remain the competitive price in the market. In addition, more potential customers can be accessible to our products.



*External perspectives:*

Over the decades, the Company has operated the production facilities in Thailand, Malaysia and Indonesia; therefore, it can partly support Thai and regional local economy both directly and indirectly. The Company has increased the localization ratio for local employment and raw material to support the expansion in the long term. In addition, the increase in its business growth and capacity of disposable diapers can replace partly the imported finished products; on the other hand, export to other countries.

**Social Responsibility**

*Internal perspectives:*

In its principles and values, the Company shall provide a healthy, safe, and positive work environment where everyone can feel valued, can learn, and is expected to consistently strive for achieving their personal best with the resources available.

The Company has applied the good labour practices and provided the workers with access to skills development, training and apprenticeships, and opportunities for career advancement, on an equal and non-discriminatory basis and also respects the family responsibilities of workers by providing reasonable working hours. In addition, the Company shall not discriminate on the basis of race, colour, gender, age, nationality, ethnic, caste, marital status, sexual orientation, or political affiliation in employment practices; this includes recruitment, selection, access to training, promotion and termination.

To prevent corruption and bribery, the Company has applied and improved policies and practices that counter corruption, facilitation payments, bribery and extortion and encourage employees and suppliers to work to oppose corruption by influencing others to adopt similar anti-corruption practices.

*External perspectives:*

1. Consumer Issues

The Company provides products and services to its consumers and customers with responsibilities. These responsibilities include providing education and accurate information, using fair marketing practices, concerning on protection of health and safety and promoting sustainable consumption.



When communicating with consumers, the Company is committed to not engage in any practices that are deceptive, misleading or fraudulent; clear advertising and marketing messages providing understandable information on relevant aspects of products or services. Provision of such information should be limited to circumstances where it is appropriate and practical and would assist consumers for health and safety aspects of products and services.

In protecting the health and safety of consumers, the Company shall assess the adequacy of health and safety laws, regulations, standards and other specifications in compliance with the laws and regulation.

Contributing to sustainable consumption and customer services, the Company shall review complaints and improve practices in response to these complaints and clearly communicate to consumers and offer adequate and efficient support and advice systems.

## 2. Community Involvement and Development

The Company contributes include creating employment through expanding and diversifying economic activities and technological development. In addition, the Company also contributes through social investments in providing community health services by donation and advice services by the expert line.

The Company runs various Corporate Social Responsibility (CSR) programs in various markets. Its current outreach initiatives revolve around baby and senior citizen care, underprivileged mothers and disaster relief. The Company regularly conducts activities and product donations with both baby and senior citizen clubs.

In Thailand, the Company has run the project “Feel Deeply Grateful with Certainty Adult Diaper” since 2013 and continuously in 2014. The project is purposely organized to donate medical devices for elderly patients at Ramathibodi hospital with the activity of 2 channels donation for every purchase for any consumers who bought our products and 1 Baht per 1 Like Click through Certainty Facebook for any non-consumers. The Company has donated for providing medical devices for elderly patients and its products: diapers to Ramathibodi foundation.

In November 2014, the project "Feel Deeply Gratiified with Certainty Adult Diaper" has won “AMCHAM CSR Excellence Recognition 2014” award from the American Chamber of Commerce in Thailand as a project that demonstrated an understanding of



the linkages between business operations and society, and conducting business in a way that creates both long-term social and economic value.

In Malaysia, PetPet brand has collaborated with the Ministry of Women, Family and Community Development of Malaysia (KPWKM) and Relief Squad of MCA (CRSM), PetPet responded to the aid of a young couple in Northern Region who had triplet babies. Pet Pet's 1 year of product supply was given much publicity. Similarly, Certainty sponsored adult diapers to a needy elderly women in Labuan with good PR coverage and Sri Prichard Old Folks Home in East Malaysia, together with our Distributor Partner in Sabah region.

On October 21, 2014 DSGM Employees decided to chip in from their own pocket to deliver 136 cartons of diapers to Padmasambhara Children Loving Association Klang Selangor. Founded in March, 2003 with the help from a social support group, which later was approved by the Malaysian Government as an orphanage from the destitute and orphaned children in 2005 as Padmasambhava Children Loving Association Klang Selangor. As of today, the center cared for 64 orphans aged between 21 months to 23 years old and support the needs of more than 200 single mothers and others orphans who regularly approach the home for their needs.

DSGM won the Best Employer EPF Award for Selangor Region based on 3 criteria – Compliance, Size of Contribution to the Compulsory Fund, Impact that DSGM contributed back to the society where we operated.

### **Environmental Responsibility**

Recognizing the need for responsible green practices, the Company has pledged to bolster its efforts to procure sustainably produced materials for the manufacturing process, as well as to incorporate the best practices in relevant environmental aspects such as in new building and site construction, training and health and safety issues.

Moreover, the Company applied Good Manufacturing Practice (GMP) regulations in our manufacturing process, which strictly comply with the highest standard of quality assurance. In addition, its manufacturing process is in the closed system, starting from raw materials through packing system, parallel with quality online inspection program to ensure our high quality & hygienic disposable diapers. All products are made under the strictest ISO 9001:2008 accreditation.





The Company has established the guideline in managing environmental issues in the short-term and improving environmental concern continuously. With the implementation of waste segregation and energy saving projects, starting from issue identification to result evaluation. Moreover, the campaign is encouraged to all employees for environment consciousness and as special training for specific tasks.

## **2. Anti-Corruption Policy**

The Company realizes that the anti-corruption is a main part of corporate good governance, representing the honesty, transparency and fairness for its business.

Accordingly, the Company is intended to provide guidelines to all employees regarding ethical behavior when acting on behalf of the Company. The underlying principles of this code of conduct embrace the belief that high ethical standards are expected from all employees in DSG Group. The governing principle of the Company is to protect its reputation in the marketplace by adhering to fundamental business methods and practices that comply with the laws and regulations that preside over its business activities. The code of conduct is categorized as follows:

1. Confidentiality
2. Conflicts of Interest
3. Gifts/Bribery/Kickback
4. Fraudulent Activities
5. Reporting Information
6. Communication Channels

### **1. Confidentiality**

Confidential information includes but is not limited to such things as business or marketing plans, financial data, computer software programs, information about suppliers, customers, personnel and matters generally not known to the public. This would also include confidential proprietary information like copyrights, patents or other intellectual property. All employees are expected to maintain the confidentiality of such information. Upon cessation of employment, employees must return to the Company any confidential information in their possession.



## 2. Conflicts of interest

A conflict of interest arises when an employee engages in any activity that advances their personal interest to the detriment of the Company's interest. It is the responsibility of the individual employee to avoid situations that compromise the interests of the Company for their benefit or personal gain.

- Assisting any competitors.
- Performing personal activities that result in any form of competition against the Company.
- Maintaining a financial interest even if passive in any organization doing business with the Company. The ownership of a nominal amount of shares of a publicly traded company does not constitute maintaining a financial interest for purposes of defining a conflict of interest.
- Using "insider" information not generally available to the public to promote personal gain.

## 3. Gifts/Bribery/kickback

It is inappropriate to receive any gifts as an employee from a Company business partner if there could be a reasonable appearance that receipt of such gift would influence a business relationship. However, it is proper to accept gifts of nominal value that are customarily offered to others in similar relationships. The receipt of any gift which is not nominal or customary must be reported to their immediate superior. The gift must then be either returned or disposed of and the provider be reminded in writing of the Company's policy in this area.

## 4. Fraudulent activities

The Company adheres to policies of "best practices" in all of its business dealings. The Company will not tolerate any form of fraud or corruption in its business activities or in the communication to the general public about any of its business activities. Employees discovered to be engaged in fraudulent or corrupt activities will be subject to termination and possibly face criminal penalties from outside law enforcement agencies.



## 5. Reporting information

Information of any type about the Company, but in particular financial information is always expected to be recorded and reported accurately and honestly. All officers, managers, and related parties involved with the preparation of financial data within the Company are expected to comply with the laws and standards of all regulatory bodies as they record and publish the financial results of the Company's business.

The Company is required to maintain its books and records in compliance with such standards and laws set forth by tax authorities, the Securities and Exchange Commission, the Stock Exchange of Thailand ("SET"), and any other pertinent regulatory agency. It is imperative that the financial officers of the corporation do everything possible to ensure that the books and records of the Company accurately reflect its business transactions.

The financial management of the Company is responsible for the adequate design of systems of internal controls to assure Company assets are both safe guarded and used for proper corporate purpose. Financial statements must be prepared in conformity with generally accepted accounting principles or any other required applicable standards. Any financial manager or person responsible for the filing of or dissemination of the Company's financial information is prohibited from knowingly making any false or misleading statements or omissions of fact in the preparation or presentation of such information. The Company will take every action necessary, including legal measures, to protect its assets and reputation against any employee proven to have knowingly misled the public by making false statements or omitting facts relating to the financial performance of the Company.

## 6. Communication Channels

If an employee knows of an unlawful or unethical situation they should immediately communicate the matter to their manager. The manager is responsible for seeing that the "complaint" is forwarded to the head of Human Resources within the Company. The Company will review the report of unlawful or unethical conduct and take necessary action. The Company will not tolerate any threats or acts of retaliation against an employee reporting unlawful or unethical conduct.



### **Application of the Code of Conduct**

This Code of Conduct applies to all directors, officers and employees of the Company as well as to the partners with whom it does business. The purpose of this Code is to affirm the Company's strong dedication to expressing the highest standards of business conduct everywhere it transacts business. Failure to comply with the standards contained in the Code will result in disciplinary action that includes possible termination of employment. The Company will refer incidents of fraudulent or corrupt behavior to public authorities for possible future action to be taken. No Code of Conduct can address all specific situations. It is, therefore, every employee's responsibility to apply the principles set forth in this Code and to exercise good business judgment. Ethical behavior is good for our business. It fosters a healthy competitive environment and customer respect and loyalty.



## **11. Internal Control and Risk Management**

The Internal Control is an integral part of the Company's priority in which the Board of Directors ("Board") of DSG International (Thailand) Public Company Limited has continually emphasized its existence, adequacy and appropriation on the business operations in order to maintain the efficiency and effectiveness of resources utilization and assets security aspects.

The Board reviews annual internal control assessment as part of the Audit Committee's accountability and reports its result in the Board's meeting number 1/2015 on February 26, 2015.

The Audit Committee conducted review of five (5) elements of internal control system; 1) *Organization Control and the Environment*, 2) *Risk Management*, 3) *Management Control Activities*, 4) *Information and Communication*, 5) *Monitoring System*. Together with the management, the Audit Committee expressed its opinion that the Company's internal control is adequate and appropriate for effective business operation and securing the assets. There is no major concern regarding to the internal control system of the Company noted during its review.



## Report of the Audit Committee

The Audit Committee (“Committee”) of DSG International (Thailand) Public Company Limited (“Company”) consists of three independent directors, with Mr. Dicky Peter Yip as the Chairman, Mr. Sukporn Chatchavalapong and Mr. Chwan-Der Alex King as members of the Audit Committee respectively. All Audit Committee members are knowledgeable and experienced in finance and organization management and duly qualified in accordance with the requirements by the Stock Exchange of Thailand.

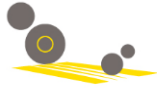
The Audit Committee have performed and carried out four (4) meetings for year 2014 to review the correctness of financial statements, Audit Report, internal control system, supervision of internal audit, related transactions, compliance with the law of the Securities and Exchange Commission and the law related to the company’s business and review to confirm the compliance of the company with the International Financial Reporting Standard (IFRS). The significant points of such reviews by the Audit Committee are summarized as follows:

1. Reviewed the financial statements of the company and its subsidiaries on both quarterly and yearly basis for 2014, to ensure their compliance with the accounting standards requirements, and the disclosure of the notes to the financial statements in accordance with the financial reporting standards. As the result in line with the opinions by the independent auditors from Deloitte Touche Tohmatsu Jaiyos Audit Company Limited. The Audit Committee concluded that, those financial statements are fairly presented substantial context in accordance with Thai Financial Reporting Standards. Those information were also deemed to have been disclosed in an adequate and timely basis.
2. Reviewed of the related party transactions and the transactions with possible conflict of interests. The Audit Committee concluded that those transactions were duly conducted based on regular business terms for the best interests of the Company, whose transaction details were properly disclosed in accordance with the requirements of The Securities and Exchange Commission.
3. The Audit Committee approved the scope of work and the annual audit plan of the Company’s internal audit for the year 2014. The performances of the internal audit were regularly monitored, with both risk management and internal controls being taken into consideration. Constant advices were given to the Company’s internal audit on various matters for the improvement of internal audit systems and efficiency of their performances.

The Audit Committee has reviewed the adequacy of the Company’s internal control system in 2014 to ensure that it would drive the Company’s operations to meet the preset targets and objective. The Company has consistently monitored the work improvements subject to comments in the auditing report, and opinions of the Audit Committee. Also, the internal control system has been improved to be in line with changing circumstances. The Audit Committee is of opinion that the internal control system of the Company has been adequate and efficient.

In the view of the Audit Committee, the Company’s overall internal control systems are currently adequate. The Audit Committee opined that the Company observed good governance in providing accuracy and credibility of financial statements and accountancy in the compliance to the 2014 regulations which related to the business.

**Mr. Dicky Peter Yip**  
**Chairman of the Audit Committee**



## **DSG INTERNATIONAL (THAILAND) PLC**

### **Assessment Form of Sufficiency of Internal Control System**

**Dated: February 26, 2015**



**This assessment form is prepared by the Company's Board of Directors, and is an opinion on the sufficiency of the Internal Control System.**

### **Part 1 Organizational Control and Environment Measure**

Organizational Control and Environment Measure mean having a good structure of organization control and environment measure which is the key base of the efficient Internal Control System. Conditions or factors supporting the Internal Control System to be proceeded as expected by the Company are, therefore, needed. This will build up controlling atmosphere to make everyone in the Company realize the need of the Internal Control System. The Management Team may, for example, focus on honesty and ethics of business operation, proper management of organization structure, clear delegation of duties and having policy and regulations in writing.

1.1 Does the Board of Directors proceed to set an exact and assessable target of business operation for using as a guideline of employee's operation?

☒ Yes

☐ No

The Board of Directors has set the business goals and strategies as business guidance for employee's operation. In addition, it uses the annual budget to control and monitor their implementation.

1.2 The Board of Directors has reviewed the operational target and believes that setting the target was proceeded carefully. They also considered possibility of the set target and analyzed the incentives or benefits for employees to be reasonable, without unreasonable incentives or benefits which could lead to corruption or undue acts (for example, setting target of sale volume higher than actual which cause making up the figure of the sale volume).

☒ Yes

☐ No

The employees always involve in every part of the performance target development and agreed upon the final measurement used. The Board of Directors also reviews and approves the performance target and measurement results before being effective in the Company's system.

1.3 Does the Company arrange the organization structure to enable the Management to operate the business efficiently?

☒ Yes

☐ No

The Company's hierarchy is rather flat. Head of each country is very hands-on and engages in the day-to-day operation. The Company has given a clear instruction of responsibility to each department as shown in their job description.





1.4 Does the Company have any written code of conduct and regulation restricting the act of the Management and employees, which may cause conflicts of interest with the business, including penalty in the case of violation?

☒ Yes

☐ No

The Board of Directors continually enforces the Management and employees to comply with the Code of Conduct, which the conflict of interest and penalty of noncompliance are inclusive. Those are in the employment contracts.

1.5 Does the Company set any written policy and regulations of operation methods relating to financial transactions, purchasing and general management which can cover and prevent a corruption?

☒ Yes

☐ No

The written policies and procedures relating to financial transactions, purchasing, and general management have been established and implemented by the functional heads and approved by the management. The relevant owners are required to review and update the written policies on a periodical basis.

1.6 In setting policy and operation plan, does the Company consider fairness for the counter party for the long-termed benefits of the Company?

☒ Yes

☐ No

The Company always considers the fair business treatment for counter parties when doing the businesses in order to maintain long-term relationship with them.

## **Part 2 Risk Management Measure**

Business operation of the Company is always proceeded among the business risks. The risks may be caused by internal factors, e.g. the Executive is lack of honesty and ethics, the Company expands the business so fast that working system cannot support the expansion, or supervision does not cover thoroughly. Furthermore, the risks may be caused by external factors, e.g. change of technology or consuming behavior, which affect to market share. Consequently, to bring the Company to survive from dangers of the said risks, the Executives need to regularly proceed the following actions:

- (1) Consider or contemplate characteristic of the risk, which the Company is facing or expects to face (identification of risk);
- (2) Analyze effects of such risks and opportunity to occur such risks (analysis of risk);
- (3) Set a measure to reduce the risks to be in an appropriate level (management of risk).



2.1 Does the Company regularly evaluate which factors are risk factors, both internal and external factors, which may materially affect the business operation of the Company?

☒ Yes

☐ No

Risk factors such as those from competitions, customers (such as collections), vendors (such as price and continuity of supply), as well as new rules and regulations are regularly reviewed in the management meetings. Management meeting will be held on a monthly basis to report on the operating performance and to discuss on the risk factors.

2.2 Does the Company analyze which events will cause the risk factors?

☒ Yes

☐ No

The possibilities of impact and its key risks are discussed and evaluated by the management in order to minimize risks impact on the Company.

2.3 Does the Company set a measure to monitor the event which causes the risk factors as well as to reduce such risks?

☒ Yes

☐ No

Although it is quite difficult to set measures to cover all the risk areas, the Company does set up measures to prevent the occurrence or recurrence of risks. For example, the Company always reviews customers' orders and receivables. Should there be any unusual order quantity, any sign of cash flow tightness from the customer end, etc, the Company will control sales to this particular customer and sales people will be paying special attention to collect the outstanding receivables. If the risks have occurred, the Company will give an authority to the responsible department to take an immediate action to follow-up and prevent the risks.

2.4 Does the Company give a notice to all relevant employees to acknowledge and perform according the risk management measure?

☒ Yes

☐ No

The employees are aware of their role in risk management as this is covered in the management meetings.

2.5 Does the Company monitor to be ensured that the various organizations comply with the risk management plan?

☒ Yes

☐ No

Progress of different plans are regularly reviewed in the management meetings.



---

### **Part 3 Management Control Activities**

The Management Control Activities are important to ensure the Company that procedures set by the Management are accepted and performed by all employees of the Company. The said procedures are as follows:

- (1) Setting appropriate power and authority levels;
- (2) Separating duties which might cause corruption;
- (3) Setting suitable steps and methods of transactions with major shareholders, directors, executives or any person relating to the said persons to prevent transfer of interest.
- (4) Setting methods to ensure that the Company is in compliance with the laws and the relevant legislation.

---

3.1 Does the Company set a clear scope of power and duties and limit of approval in each executive level in writing?

☒ Yes ☐ No

The Company does provide job description to each employee. The level of approval and approval limit is always stated clearly and explained to the executives. An approval limit table and Delegation of Authority are set up to strengthen the financial control over routine transactions and operation control.

3.2 Does the Company totally separate responsibility of the following three duties in order to monitor each other: (1) duty of approval; (2) duty of recording accounting transactions and information; and (3) duty of managing property?

☒ Yes ☐ No

This is in practice. The duty of approval is always “one level up” while the department heads are seeking approval from the division head who in turn will seek approval from the next senior level. The accounting transaction is always handled by the assigned accounting staff as a usual transaction (no different from the day to day accounting work).

Properties of the Company are managed by the most senior manager of the operation. Disposal and sale of the properties are always discussed and obtained approval from directors before implementation. Transactions are reported in detail in the monthly financial reports.

3.3 Should the Company have transaction with major shareholders, directors, executives or any person relating to the said persons, does the Company have any strict measure to ensure that such transaction is passed through the approval procedures which has been fixed?



☒ Yes

☐ No

☐ No such case

The business transactions made with shareholders and related parties are for the benefits of the Company and intended to enhance operational and financial efficiencies. They are normal business nature and on arm's length basis. All transactions and balances have been reviewed by the Company's Audit Committee, disclosed in details in the statutory financial statements for the Board of Directors' approval. It complies with the SET's rules and regulations pertaining to "Related Parties Transactions"

3.4 Should there be a transaction as per Clause 3.3, does only the person who does not have any interest on the transaction approve such transaction?

☒ Yes

☐ No

No such case

To avoid the conflict of interest, interested parties are not allowed to approve any transactions.

3.5 Should there be a transaction as per Clause 3.3, is such transaction approved by considering the Company's interest as the most important thing and on arm's length basis?

☒ Yes

☐ No

☐ No such case

The Company's interest is the top priority in any type of business transactions.

3.6 If the transaction with the relevant party is approved in the manner of binding the Company in long term (e.g. execution of sale and purchase agreement, loan facility, guarantee), is there any monitor on performance of the agreed conditions during the period of binding the Company (e.g. monitoring repayment of debt due, review of suitability of the agreement)?

☒ Yes

☐ No

☐ No such case

The management, audit committee, external auditors and internal auditors do review the transactions with related parties.

3.7 If the Company has measure regarding the transaction as per Clause 3.3, does the measure also cover to the case that the relevant party uses the opportunity or interest of the Company for personal benefits?

☒ Yes

☐ No

☐ No such case

All related parties transactions are allowed to occur after comparison of economic value on arm length basis and reviewed by audit committee and management. Hence, the Company's interest is well protected.



3.8 If the Company has an investment in its subsidiary or associate, does the Company regularly monitor the operation of the subsidiary or associate and give a direction to the person who is appointed by the Company to act as a director or executive of such subsidiary or associate?

☒ Yes

☐ No

☐ No such case

Reports (like daily sales and production reports, weekly cash flow plan, monthly sales, financial reports, production reports, etc) are circulated to the management regularly. Meetings with the subsidiary or associated company are held on a regular basis. Suggestions and directions are given to the subsidiary management.

3.9 For the purpose of reducing risks of business operation and maintaining the reputation of the Company, does the Company have any measure to monitor the operation of the Company to be in compliance with the relevant laws?

☒ Yes

☐ No

The Company's administration department, with the help of the legal advisor and Company Secretary, is in charge of this function. To the best of the Company's knowledge, all rules and regulations are being observed and adjustments are made to comply with the changes or amendments imposed or recommended by the government.

3.10 If the Company had violated the law, does the Company have any measure to remedy and prevent such violation?

☐ Yes

☐ No

☒ No such case

Although the Company does not have such experience, the Company's administration department, ISO staff, Company lawyers, as well as the Company Secretary, are all the resources available for remedy and prevention of such violation.

#### **Part 4 Information and Communication Measure**

One of the principles of careful performance, whether for directors, executives, shareholders or relevant party, is making a decision on qualitative and sufficient information whether it is financial or other information. Communication to the relevant party is, therefore, very necessary and helps to enhance efficiency of the Internal Control System. The qualitative information should have the following characteristics:

- (1) Having sufficient necessary content for making a decision;
- (2) Correct and complete;
- (3) Updated;



- (4) Easy to understand;
  - (5) Well-stored.
- 

4.1 To propose any matter to the Board of Directors to consider, does the Company provide sufficient material information to support the consideration of the Board of Directors (material information are details of the matter to be considered, reasons, effects to the Company, other options, etc.)?

☒ Yes ☐ No

Not just for the board of directors, the Company practice identification of problem or opportunity, review causes, evaluate potential effects, and develop measures (options) to deal with the matter concerned. The Management will provide regular, sufficient and relevant information for Board of Directors' consideration and decisions.

4.2 Do the directors of the Company receive notice of meeting or documents of the meeting providing sufficient and necessary information for consideration before the meeting at least the minimum period stipulated by laws?

☒ Yes, they will receive the documents. ☐ No

Yes, they will receive the documents 7 days before the meeting.

4.3 Does the minutes of the meeting contain sufficient details enabling the shareholders to inspect the suitability of performance of the directors e.g. recording enquiries, opinions or observations of the directors on the considered matter, opinions of the directors who disagree with the proposed matter along with reasons, etc.?

☒ Yes ☐ No

The Company keeps the proper records of all the minutes of BOD meeting as a public company and complies with the Thai company's law.

4.4 Does the Company keep all documents of accounting and other accounts in groups? Is it true that the Company has never been notified by the auditor that there is any fault on such matter, or there was, but such fault had been remedied?

☒ Yes ☐ No

This is to confirm that no fault has ever been notified by Deloitte (the auditors) to the Company.



4.5 Did the Board of Director consider that the Executives apply the Generally Accepted Accounting Principles which are suitable for the nature of business of the Company, and do not use any accounting policy which shows the operational results of the Company incorrectly?

☒ Yes

☐ No

The Company is strictly following the Thai GAAP standard. All financial reports are audited by the auditors. All major accounting policies are applied consistently and properly disclosed in the financial statements.

## **Part 5 Monitoring**

To operate the business efficiently and effectively, the Company needs to regularly monitor that operations are performed as targeted, the Internal Control System is proceeded continually and there is an improvement to meet with the changing situation as well as other faults are immediately corrected.

.....

5.1 Should the Company set a target of business operation, does the Board of Directors compare the operational results of the Executives to check whether they meet the target as set?

☒ Yes

☐ No

☐ No such case

Business target is always reflected in the annual budget. Operation performance is reviewed on a monthly basis by the Management and by the BOD on the quarterly basis.

5.2 Should the operational results differs from the set target, does the Company remedy within a reasonable period?

☒ Yes

☐ No

☐ No such case

Executives are always on top of the operational result. Improvement measures are always planned immediately with a target date set to accomplish the result.

If the operation result is behind budget, improvement action plans are required to be in placed immediately.

5.3 Does the Company regularly monitor the performance of the Internal Control System?

☒ Yes

☐ No

A periodic internal audit visits have been carried out to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's system of internal control by internal auditor. The internal auditor focuses on the review of areas which are related to and aligned with the key business risk of the Group.



5.4 If the Company has an internal audit, does the Company require that the audit results have to be reported directly to the Board of Directors or the Audit Committee to enable the internal auditors to perform independently and report the audit results honestly?

☒ Yes

☐ No

☐ No such case

The internal auditor carried out audit to ensure that the controls are in place and any risk identified or where controls are not in place, are reported in the audit reports incorporate with the recommendations for improvement, action plans being addressed by key management and targeted of implementation timeframe are presented to the Audit Committee for their attention.

5.5 When a material fault is found, is there any report regarding such fault to the Board of Directors of the Company/the Audit Committee to remedy it within a reasonable period?

☐ Yes

☐ No

☒ No such case

If any material fault is found, it will be reported to the BOD and the Audit Committee. The Management will report to the Audit Committee on any areas for improvement.

5.6 Is the Company required to report the progress of fault remedy to the Board of Directors of the Company/the Audit Committee?

☒ Yes

☐ No

Even though there is no material fault reported so far, the Company would report the remedial progress to the BOD and the Audit Committee regularly, if the occasion arises.

5.7 Does the Company have a policy requiring the Executives to report to the Board of Directors of the Company immediately should there be a corruption or suspect to have a corruption, violation of laws and other abnormal act materially affecting the reputation and financial status of the Company?

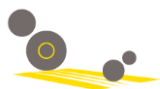
☒ Yes

☐ No

☐ No such case

It is required for the executives to report to the BOD immediately whenever there is a suspicion on corruption, criminal act, or any other information or act that may affect the reputation and financial status of the Company.

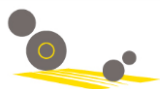




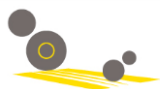
## 12. Related Transactions

### 12.1 Details of related transactions of the Company and its subsidiaries with persons who may have conflict of interest

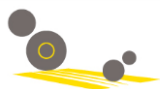
Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2013	Audited 31 December 2014	
1. DSG International Ltd., (“DSGIL”)  - Holding Company - Registered in BVI - Head Office in HK	1.1 The Company, DSGML, DSGMSB, PTDSG, and DSGS paid the Management Fee to DSGIL.	Management Fee 111.345	Management Fee 120.901	The said transaction was reasonable and was beneficial to the business operation of the Company and its subsidiaries because the said fee was paid to DSGIL for the services provided under the Management Agreement. In addition, the terms and conditions of the Management Agreements are fair and equitable when compare to the Management Agreements of DSGIL with other affiliated companies.  Rate of management fees that the Company has to pay to DSGIL is higher than those of the other subsidiaries. The management support to the Company is more intense as compare to the Company’s subsidiaries.
	DSGML and DSGMSB also paid License Royalty fee to DSGIL.	Royalty Fee 41.398	Royalty Fee 39.290	



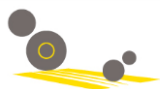
Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2013	Audited 31 December 2014	
	1.2 DSGIL is the creditor of the Company, DSGML, DSGMSB, PTDSG, and DSGS due to the unpaid management fees and license royalty fee to DSGIL (The said fees were paid monthly without credit term) and reimbursement expenses.	13.619  <u>Aging</u> Current: 13.198 ≤ 3 mos: 0.393 3-6 mos: 0.028	20.667  <u>Aging</u> Current: 18.505 ≤ 3 mos: 0.743 3-6 mos: 0.683 6-12 mos: 0.736	The said transaction was reasonable and considered as a normal transaction. Since it is interest free transaction, it would consider as the financial assistant from DSGIL, the parent company.
	1.3 The Company sold baby diapers and packing material to DSGIL.	-	-	The said transaction is a normal trade transaction with the pricing policy by the method of cost plus marginal profit; the net prices were comparable to prices otherwise obtainable from third parties.
	1.4 DSGIL is trade debtor of the Company, arose from diapers sale transactions.	-	-	The said transaction was reasonable and considered as a normal transaction.
	1.5 DSGIL is other debtor of the Company, arose from expenses reimbursement.	0.017  <u>Aging</u> Current: 0.017	-	The said transaction was reasonable and considered as a normal transaction.



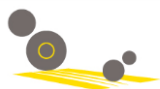
Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2013	Audited 31 December 2014	
2. Disposable Soft Goods Ltd. (“DSGL”)  - Manufacturing and distributing diaper products in HK. - Registered in HK - Head Office in HK - DSGIL who is a major shareholder of the Company holds 100 percent of shares in DSGL	2.1 The Company sold baby and adult diapers to DSGL.	18.937	8.986	The said transaction is a normal trade transaction with the pricing policy by the method of cost plus marginal profit; the net prices were comparable to prices otherwise obtainable from third parties.
	2.2 DSGL is trade debtor of the Company, arose from diapers sale transactions.	Aging 8.939 Current: 8.939	Aging 5.106 Current: 5.106	The said transaction was reasonable and considered as a normal transaction.
	2.3 DSGL is other debtor of the Company, arose from other expenses charge back from the Company.	-	Aging 0.002 Current 0.002	The said transaction was considered as a normal transaction
	2.4 DSGL is other creditor of the DSGMSB, arose from other expenses charge back from DSGL.	Aging 0.022 Current : 0.022	Aging 0.295 Current: 0.071 ≤ 3 mos: - 3-6 mos: 0.067 6-12 mos: 0.157	The said transaction was considered as a normal transaction.



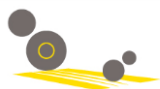
Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2013	Audited 31 December 2014	
3. Disposable Soft Goods (UK) Plc (“DSGUK”).  - Manufacturing and distributing diaper products domestic and export to Europe.  - Registered in UK  - Head Office in UK  - DSGIL who is a major shareholder of the Company holds 100 percent share in DSGUK.	3.1 PTDSG pays the Trademark Royalty Fees to DSGUK	2.957	5.162	The said transaction was reasonable and was beneficial to the business operation of PTDSG since the fees was paid to DSGUK, the beneficiary of DSGIL to collect the Royalty fees, for the right to use the trademark under the Trademark License/ Royalty Fees Agreement.  The fees are reasonable and are at the same rate that DSGIL charges to other companies.
	3.2 DSGUK is the creditor of PTDSG from the unpaid royalty fees mentioned above.  (The said fees were paid quarterly with 20 days credit term)	1.749  <u>Aging</u> Current: 0.942 ≤ 3 mos: 0.807	5.870  <u>Aging</u> Current: 1.115 ≤ 3 mos: 1.374 3-6 mos: 1.353 6-12 mos: 2.028	The said transaction was reasonable and considered as a normal transaction.  The outstanding balance (interest free) can be considered as a financial support from DSGIL who transfer the right to collect the royalty fee to DSGUK.



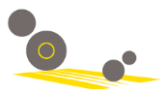
Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2013	Audited 31 December 2014	
4. Shanghai DSG MegaThin Co. Ltd. (“SDSGM”).  - Manufacturing and distributing raw material.  - Registered in China  - Head Office in China  - DSGIL, which is the major shareholder of the Company, holds 75 percent of share in Shui Ling Holding Co. Ltd; and Shui Ling Holding Co. Ltd. holds 100 percent of share in SDSGM.	4.1 The Company purchased raw materials from SDSGM.	48.817	26.525	This transaction is a normal trade transaction. The raw material is a proprietary product of DSG.
	4.2 SDSGM is other creditor of the Company, arose from other expense reimbursement.	-	-	The said transaction was considered as a normal transaction.



Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2013	Audited 31 December 2014	
5. Disposable Soft Goods (Zhongshan) Ltd. (“DSGZ”). - Manufacturing and distributing diaper products in China - Registered in China - Head Office in China - DSGIL, which is the major shareholder of the Company, holds 100 percent of share in DSGMgt; and DSGMgt holds 100 percent of share in DSGZ.	5.1 The Company sold baby diapers to DSGZ.	83.887	155.287	The said transaction is a normal trade transaction with the pricing policy by the method of cost plus marginal profit; the net prices were comparable to prices otherwise obtainable from third parties.
	5.2 DSGZ is the trade debtor of the Company, arose from the sale of finished goods to DSGZ.	44.848  <u>Aging</u> Current: 12.827 ≤ 3 mos: 24.810 3-6 mos: 7.211	43.645  <u>Aging</u> Current: 43.645	The said transaction was reasonable and considered as a normal transaction.
	5.3 DSGZ is other debtor of the Company and DSGMSB, arose from other expenses reimbursement.	0.181  <u>Aging</u> Over 1 yr. 0.181	0.188  <u>Aging</u> 3-6 mos: 0.188	The said transaction was considered as a normal transaction.



Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2013	Audited 31 December 2014	
	5.4 The Company purchase raw material for machinery test run.	-	-	This transaction is a normal trade transaction.
	5.5 DSGZ is the trade creditor of the Company, arose from the purchase of material from DSGZ for machinery test run.	0. 115  <u>Aging</u> Over 1 yr: 0.115	-	The said transaction is a normal trade transaction.
	5.6 DSGZ is the other creditor of the Company, DSGMSB and PT DSG, arose from other expenses reimbursement.	5.298  <u>Aging</u> Current: 3.039 ≤ 3 mos: 1.922 3-6 mos: 0.335 6-12 mos: 0.002	0.078  <u>Aging</u> Current: 0.078	The said transaction is a normal transaction, expenses were reimbursed at cost.



Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2013	Audited 31 December 2014	
6. DSG Technology Holding Limited(“DSG TEC”)  - Holding company - Registered in Hong Kong - Head Office in Hong Kong. - DSGIL, which is the major shareholder of the Company, holds 100 percent share in DSG TEC.	6.1 The Company, DSGMSB and DSGMAL pay licenses fee to DSG TEC.	Technology Transfer and License Fee 34.898  Trademark License Fee 67.842	Technology Transfer and License Fee 30.884  Trademark License Fee 78.974	The said transaction was reasonable and was beneficial to the business operation of the Company and its subsidiaries, the beneficiary of DSG TEC to collect the licenses fees, for the right to manufacture under the license fees agreement.  The fees are reasonable and are at the same rate that DSG TEC charges to other companies
	6.2 DSG TEC is the creditor of the company, DSGMSB and DSGMAL from the unpaid royalty fees mentioned above.	8.945  <u>Aging</u> Current: 8.945	10.133  <u>Aging</u> Current: 10.133	The said transaction was reasonable and considered as a normal transaction.



## ***12.2 Explanation of Measures or Steps of Approving Related Transactions***

The Company, its subsidiaries and affiliates companies are in the similar industry i.e. disposable baby and adult diapers. Related party transactions are unavoidable in the ordinary course of business of the Company and its related parties, its subsidiaries, affiliates, or connected persons. All of the related transactions are transacted based on general trading condition. All related transactions must be reviewed and considered by the Audit Committee and the Board of Directors on quarterly basis.

In the case of any related transactions that are not of ordinary course of business, i.e. acquisition or disposal of significant assets, loan, rental payment to/from related parties, such related transactions must be approved by the meeting of Board of Directors of the Company, which the Audit Committee attends that meeting.

The Audit Committee of the Company is responsible for reviewing the related transactions on quarterly basis to ensure that no conflict of interest will be occurred in order to maximize the company's benefit and to ensure that there will not involve any transfer of benefit among the Company, subsidiary companies, affiliated companies, related companies, shareholders, and any persons who might have conflict of interest or related persons.

The Company as a public listed company in SET, must adhered to rules and regulations of the Stock Exchange of Thailand ("SET") and the Securities and Exchange Commission ("SEC") regarding the connected transaction.

## ***12.3 Policy or trends towards executing future related transactions***

Related transactions are likely to continue due to the Company, its subsidiaries and affiliates companies are in the similar industry and business characteristics. Related transactions in the ordinary course of business are subject to similar process as other general trading transaction with independent third party. Other non-ordinary transactions are supported with proper agreements and being reviewed and approved by Audit Committee.