

PART 1 BUSINESS OPERATION

1. Policy and Overview of Business Operation

1.1 Vision & Mission

Vision

To be the leading disposable diaper manufacturer and distributor in South East Asia

Mission

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

Core Values

1. Walk The Talk
2. Winning Mindset
3. Passion in People
4. Honesty & Integrity
5. Ownership & Accountability

Business Overview

DSG is one of the leading providers of quality disposable diapers for babies and adults in South East Asia. The Company has operated its main facilities in manufacturing and marketing its products primarily in Thailand, Malaysia, Indonesia and Singapore. DSG maintains brand equity for its disposable baby products such as “BabyLove” in Thailand, “PETPET” in Malaysia and “Fitti” in Indonesia. The brand of “Certainty” has been an adult incontinence market leader in Thailand for many years.

With many years of experience and presence in SEA region, the Company has expanded its product portfolio to fulfill its customers’ and consumers’ needs and captured the opportunities in high growth markets through geographic expansion in this region. Thailand is a strategically regional hub to drive the growth in the under-penetrated emerging markets of the Asean Economic Community (AEC).

Our manufacturing facilities are ready and capable in adaptation to change in marketing and capacity needs. At the same time, we strive to continuously optimize end-to-end supply chain efficiency in order to improve the productivity of our group.

Strategically, 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, supply chain innovation, productivity and quality improvement to build a solid foundation for sustainable long-term growth in South East Asia.

Product Portfolio Segmentation

1) Baby Diaper Categories

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 the success in Malaysia and Indonesia, respectively. The introduction of the new patented technology also enable the Company to relaunch BabyLove PlayPants NanoPower with superabsorbent Nano sheet. The revolutionary features embrace new and improved diapering experience for babies in key areas of comfort, fit and absorbency. In Q1 2016, BabyLove PalyPants NanoPower Plus was launched with its latest innovation “Plus” to provide with quick absorbency and faster drying.

2) *Adult Diaper Categories*

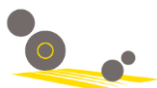
Certainty brand is the overall adult diaper market leader in Thailand. The introduction of product performance improvement in Certainty SuperPants in Q1 2014 (replacing Certainty ActivePants launched since 2010) and the new launch of Certainty DayPants in Q2 2014 have complemented the existing adult diapers category for the Company. In 2016, Certainty has still progressed market share and sales momentum in Thailand as the highest ranked adult brand. In addition, Certainty was aggressively promoted to increase brand awareness in Malaysia, Indonesia and Singapore.

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 1,259.99 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 past 3 years can be summarized as follows:

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
24 February 2016	The Board of Directors resolved to appoint Ms. Siritorn Manopjuntaroj Investor Relation & Corporate Affair Manager as Company Secretary
5 September 2016	North Haven Private Equity Asia Angel Company Limited (the“Offeror”) made a Voluntary Tender Offer (“VTO”) at least 23.46% of all securities of DSGT at the price of Baht 5.00 per share
11 October 2016	Acknowledged the result of Tender Offer that the Offeror can purchase 25.63% of all DSGT shares, which are 322,888,400 shares and being the second major shareholder of DSGT
25 October 2016	The Board of Directors resolved to appoint Mr. Kwok King Kingsley Chan, Director of North Haven Private Equity Asia Angel Company Limited as Non-executive Director

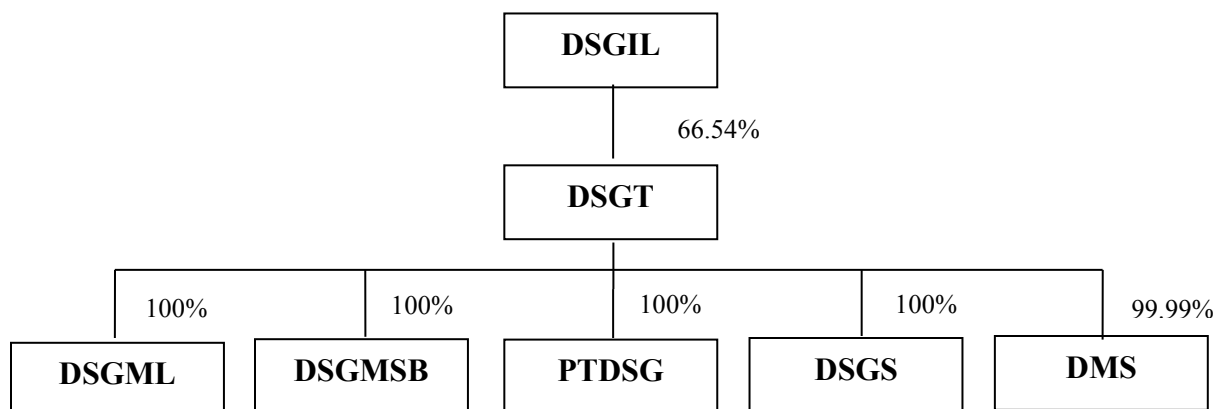


28 November 2016	The Board of Directors resolved to propose the delisting of DSGT to the Extraordinary General Meeting of Shareholders for consideration and approval as proposed by North Haven Private Equity Asia Angel Company Limited
4 Jan 2017	The Meeting of Shareholders approved the delisting of the Company's securities from the Stock Exchange of Thailand

1.3 Corporate Structure

DSGT is held by the major shareholder, DSGIL for 66.54%. Currently, DSGT has fully owned 5 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 2016



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 in South East Asia region through DSGT.

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

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

DSG International (Thailand) PLC was incorporated on 20 May 1994 and listed on the stock exchange of Thailand on 9 Aug 2006 with authorized share capital, with the objective of manufacturing and marketing of baby and adult disposable diapers. Its brand names include “BabyLove”, “PETPET”, “Fitti”, and “Certainty” for both export and domestic markets.

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

DSGT’s 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 and adult disposable diapers in Malaysia.

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

PTDSG was founded on 25 April 1997 by DSGIL holding approximately 60% and Mr. Abdul Alek Soelystio, an Indonesian citizen, holding 40% 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.

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.

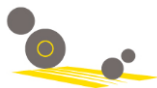
4) Disposable Soft Goods (S) Pte Limited (“DSGS”)

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 focuses 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.

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)

	2014 ¹		2015 ¹		2016 ¹	
	M. THB	%	M. THB	%	M. THB	%
Domestic sales ² :	7,877.9	95.3%	7,184.7	95.6%	6,851.9	93.8%
Export sales:	263.0	3.2%	180.9	2.4%	122.4	1.7%
Other sales ³	124.4	1.5%	149.4	2.0%	330.6	4.5%
Total income	8,265.3	100.0%	7,515.0	100.0%	7,304.9	100.0%

Remark:

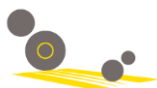
¹ Exchange Rate

Unit: Baht

Exchange rate	2014	2015	2016
1 Malaysian Ringgit	9.9403	8.8034	8.5139
1,000 Indonesian Rupiah	2.7419	2.5691	2.6579
1 Singapore dollar	25.6410	24.8394	25.5160

² Domestic Sales mean Sales in Thailand, Malaysia, Indonesia, and Singapore

³ Other sales include sales from non-diaper products i.e. absorbent sheet



2.1. Characteristics of the products

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

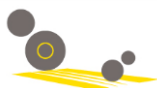
1) Disposable Baby Diapers

1.1 Disposable Baby Diaper Tape

Market	Mass
Brand	BabyLove Tape
Package	
Key benefit	Easy Tape For Easy Adjustment
Country	Thailand

Market	Premium	Mass
Brand	PETPET Night Tape	PETPET Tape
Package		
Key benefit	One Piece All Night	Happy Comfort = Happy Baby + Mommy
Country	Malaysia	

Market	Economy	
Brand	Fitti Tape	
Package		
Key benefit	Wise Choice for Mothers	Best Affordable Comfort
Country	Indonesia	Malaysia




1.2 Disposable Baby Diaper Pants

Market	Premium	Mass
Brand	BabyLove NightPants	BabyLove PlayPants NanoPowerPlus
Package		
Key benefit	One Piece All Night Long	Perfect Fit for Your Baby to Wear During Day& Night and Easy to Wear
Country	Thailand	

Market	Economy		
Brand	BabyLove DayPants	PETPET DayPants	Fitti DayPants
Package			
Key benefit	The Best Day Time Diaper for Good Hygiene		
Country	Thailand	Malaysia	Indonesia

2) Disposable Adult Diapers

2.1 Disposable Adult Diaper Tape

Market	Mid-Range
Brand	Certainty Tape
Package	
Key Benefit	Excellent Absorbency and Comfortably Dry

2.2 Disposable Adult Diaper Pants

Market	Mid-Range	Mass
Brand	Certainty SuperPants	Certainty DayPants
Package		
Key Benefit	Excellent Absorbency and Breathability	Underwear-like Feeling and Breathability

2.2. Characteristics of Market and Competition

Disposable Diaper as a Sunrise Industry

Robust population growth, increasing affluence and urbanization together with low user penetration in South East Asian regions provide ample growth opportunities in the baby diaper segment. In addition, the growth of the aging population presents huge opportunities for the adult incontinence market.

We expect the penetration of both baby and adult diapers to increase throughout all SEA countries. Focusing on value creation, the Company has strategically focused on delivering innovative yet affordable products to serve the customers' needs and requirement. To boost our connectivity and competitive edge, we have taken advantage of both traditional and new channels in our marketing campaigns. While maintaining our strong presence in all retail channels, we have also extended our presence in the digital platform in order to serve and connect with customers.

According to the World Population Research in 2015, Asia has the highest population of 4.4 billion or 60% of total global population. With the closer focus to SEA as our key markets, the key demographic of over 600 million populations and high birth rate in most of the countries poses a dynamic market for the Company to sustain its continuous growth in the future. In addition, the diaper business is still under-penetrated through most countries in this region, e.g. large-sized market in Indonesia and emerging markets in CLMV.

The Population of SEA Countries from 2015 to 2030

	2015	2020	2025	2030
Brunei	423,000	446,054	470,365	496,000
Cambodia	15,578,000	16,641,421	17,777,436	18,991,000
Indonesia	257,564,000	269,629,321	282,259,829	295,482,000
Lao PDR	6,802,000	7,323,352	7,884,665	8,489,000
Malaysia	30,331,000	32,145,606	34,068,775	36,107,000
Myanmar	53,897,000	55,934,040	58,048,070	60,242,000
Philippines	100,699,000	107,810,314	115,423,826	123,575,000
Singapore	5,604,000	5,863,163	6,134,312	6,418,000
Thailand	67,959,000	68,055,862	68,152,862	68,250,000
Vietnam	93,448,000	97,217,871	101,139,826	105,220,000
Total	632,305,000	661,067,005	691,359,964	723,270,000

Source: Projection Based on Department of Economic and Social Affairs, United Nations (2015)

1) Industry Outlook for Disposable Baby Diapers

Baby diaper generally continues to grow across South East Asia as a result of the country demographics.

The Average Number of Children per Woman

	2010-2015	2015-2020
Brunei	1.90	1.82
Cambodia	2.70	2.53
Indonesia	2.50	2.36
Lao PDR	3.10	2.77
Malaysia	1.97	1.90
Myanmar	2.25	2.13
Philippines	3.04	2.87
Singapore	1.23	1.26
Thailand	1.53	1.46
Vietnam	1.96	1.95

Source: Department of Economic and Social Affairs, United Nations (2015)

Despite the moderate newborn growth in Thailand, BabyLove as the fastest growing brand has continuously launched products to meet consumers' pocket size and usage occasions such as BabyLove DayPants and BabyLove NightPants. Furthermore, the Company has also launched BabyLove PlayPants NanoPowerPlus with its patented technology offering a slim but absorbent product catering towards the increasingly sophisticated needs of the Thai population.

In Malaysia, there is a significant room for growth by offering different product formats and segmentation. In recent years, we have continuously strengthened our PETPET portfolio by offering PETPET Night Tape, PETPET DayPants as well as relaunched improved versions of our PETPET

Tape. Similarly, we have also upgraded our value for money, Fitti Tape with value added features to fulfill the demands of the economy segment.

Indonesia, with a large-sized and low penetrated market, is our key focus for our market expansion. We have invested in setting up the right business foundation in order to pave the way for a sustainable future. As a result, the sales of Fitti brand has experienced accelerating growth over the past few years. Together with the relatively low penetrated markets in the CLMV region, we foresee the opportunity to capture the baby diaper business growth in coming years.

2) Industry Outlook for Disposable Adult Diapers

Demographics also indicate a strong future for the adult diaper market growth in SEA. The population will continue to age at varying rates per country, with Thailand and Singapore leading in terms of the percentage of the number of persons aged 60 and above while Malaysia and Indonesia and the rest will form the basis of aging population in the longer term.

The Number of Persons Aged 60 and Above

	2015		2020		2025	
Brunei	35,109	8.3%	45,853	10.3%	59,884	12.7%
Cambodia	1,137,194	7.3%	1,404,948	8.4%	1,735,745	9.8%
Indonesia	22,923,196	8.9%	27,219,386	10.1%	32,320,755	11.5%
Lao PDR	442,130	6.5%	542,828	7.4%	666,461	8.5%
Malaysia	3,033,100	10.0%	3,708,539	11.5%	4,534,392	13.3%
Myanmar	5,228,009	9.7%	6,054,424	10.8%	7,011,475	12.1%
Philippines	7,955,221	7.9%	9,386,449	8.7%	11,075,170	9.6%
Singapore	1,137,612	20.3%	1,369,484	23.4%	1,648,618	26.9%
Thailand	12,164,661	17.9%	13,983,333	20.5%	16,073,904	23.6%
Vietnam	11,494,104	12.3%	13,832,969	14.2%	16,647,755	16.5%
Total	65,550,336	10.4%	77,548,214	11.7%	91,774,159	13.3%

Source: Projection Based on Department of Economic and Social Affairs, United Nations (2015)

In addition, untapped emerging markets in countries such as China, India, Thailand, Vietnam, and Indonesia have immense potential to grow rapidly and contribute to the market share in the future. The elderly are more susceptible to diseases that can cause incontinence. Therefore, a rise in the elderly population results in high demand for adult diapers for the management of the condition.

The increasing trend in aging population coupled with increased life expectancy as well as increasing affluence, augurs well for the long-term growth of the adult diaper market. That is why the Company launched Certainty SuperPants and Certainty DayPants to accommodate the growing market in adult diaper segment and has gained well acceptance especially in Thailand as our key focused market. Certainty is poised to be the market leader in Thailand with a robust growth and is well positioned to capture the opportunity amidst increasing aging population throughout SEA.

3. Risk Factors

The Company implements Risk Management policies to mitigate foreseeable potential risks. In 2016, the key risks that could have a significant impact on the Company's achievements are summarized as follows:

Industry Competition Risk

The economic slowdown throughout SEA region has slightly improved from the previous year but still remained soft and impacted the overall consumer spending. Most competitors have applied price promotion tactics to stimulate weakened consumption and boost their market share.

Mitigation Approach: Owing to high competition in disposable diaper market, the Company has strategically mitigated such risks by creating the value through innovation in many aspects such as products, distribution channel, marketing activities in order to satisfy consumer needs for value propositions. The Company periodically reviewed its pricing mechanism including the appropriate advertising and promotion to be competitive in the market throughout SEA. Operationally, the Company constantly focused on improving operational efficiencies to improve the operating margins.

Financial Risk

The Company's profitability is subjected to the fluctuation of the US dollar as most of its raw materials are purchased in US dollar.

The appreciation of US dollar versus major local currencies practically wiped out the favorable impact from raw materials and logistics cost due to the decline in global crude oil price.

Besides the impact on raw material costs, the fluctuation of exchange rates also negatively impact on the consolidation of the Company's financial statements as the Company reports its earnings and investments in various subsidiaries in Thai Baht.

Mitigation Approach: The Company has continuously attempted to reduce such risks by entering into forward exchange contracts, counterbalancing supply risks via multiple sourcing strategy and improving operational cost efficiencies.

Commodity Risk

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 major commodities, of which the prices are subject to global supply and demand and other factors such as oil price and supplier production capacity throughout the economic cycles.

DSGIL, which is the parent company of the Company, has entered into central purchasing arrangement with key suppliers/distributors of major raw materials in order to reap the economy of scale benefits, thus ensuring the product cost competitiveness of the Company and its subsidiaries.

Mitigation Approach: Besides managing foreign exchange risks, the Company has leveraged upon the Group central purchasing power as mitigation of supply risk is our key focus. The Company has implemented multiple sourcing strategies as well as local sources wherever possible in order to maximize the cost advantages.

Safety & Hazard Risk

The Company did not encounter with the serious issues from either human error or natural disasters which might cause the unsafe operation or hazardous risks to our business. The Company pays high attention to risk awareness along the whole supply chain. In addition, a safety management system by training our team on machine operation skill, technical solution, product quality knowledge, safety and hygiene control has been implemented and maintained continuously

Mitigation Approach: The Company has incorporated the external factors including prioritized safety and hazard risks in its business planning and risk management. With regard to preventive actions, the Company has enforced the safety practice throughout the organization, developed the business continuity plan and worked with our stakeholders to ensure the continuation of business operation against any potential disasters.

Confidentiality Risk

The Company has renewed its confidentiality and data protection policy. The Company issued the confidentiality guidelines to all employees and suppliers. In addition, the Company reinforced the internal control systems to safeguard the confidentiality of proprietary information.

Mitigation Approach: In order to enforce the confidentiality guidelines, the Company has implemented IT related data protection measures and continuously reminded our employees and suppliers to protect the Company’s management information confidentiality.

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 2015 (Audited)	31 Dec 2016 (Audited)		31 Dec 2015 (Audited)	31 Dec 2016 (Audited)
Land	36.06	30.00	-	36.06	30.00
Buildings	805.11	759.03	20-33	646.59	588.24
Building improvements	248.18	248.65	5 - 20	210.38	189.80
Machines and Office Equipment	3,699.14	3,611.14	3-20	2,543.16	2,403.38
Furniture and Fixture	52.01	52.55	4-10	10.72	6.79
Vehicles	6.93	6.86	4-8	1.26	0.93
Work under construction	45.11	238.56	-	45.11	238.56
Total	4,892.54	4,946.79		3,493.28	3,457.70

Type of assets	Net Book value As of		Obligations
	31 Dec 2015 (Audited)	31 Dec 2016 (Audited)	
Land: <u>DSGT</u> - 15 rai of land at the Industrial Zone of SIL Industrial Zone Co., Ltd., in Bua Loy Subdistrict, Nong Khae District, Saraburi Province. <u>PTDSG</u> - 25 rai of land at Cikande-Serang in Indonesia.	30.00	30.00	None
	6.06	-	On March 28, 2016 PTDSG sales to a third party and lease back the assets from the purchaser



Remarks

Part 1 Business Operation

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 2016 to 31 December 2018
Rental rate	The Lessee shall pay for the rent and service fee to the Lessor on monthly basis at the following rate.

Lease Term	Lease Space (Sq.m.)	Monthly Fee (Baht)
1 Jan 2016 – 31 Dec 2018	865*	449,800

	*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	At least 3 months prior to the expiration of this Lease Agreement, the Lessee shall notify the Lessor in writing of whether or not it wishes to renew this Lease Agreement. In the event the Lessee is desirous of such renewal, the Lessee and the Lessor shall negotiate the terms and the conditions thereof based on the previous terms and conditions.
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 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	353 months with effect from 30 September 2011 until 28 February 2041.
Rental rate	The Sub-Lessee paid total rental fee at Baht 75,972,017 for 353 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.
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.

6. Leasehold Right of Land for Factory in Malaysia

Property	A leasehold land located at Telok Panglima Garang, Banting, Selangor, Malaysia
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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 14,410,561 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 245,177,400 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.

8. Lease of Land and Warehouse Agreement (Phase 1)

Lease parties	Lessee: PTDSGT Lessor: PT WHA International Indonesia.
Objective	Lease of land and warehouse in Pancatama Industrial Complex Kav. 18 Leuwi Limus Village Cikande District, Serang Regency, Banten Province, Indonesia for use as warehouse of finished goods.
Period of lease	11 years with effect from 28 March 2016 to 27 March 2027.
Rental rate	The Lessee shall pay for the rent to the Lessor on monthly basis in advance at the following rate per quarter.

Lease Term	Fee per Monthly (Million Baht)
	Rental fee
Mar 28, 2016 – Mar 27, 2019	1.08
Mar 28, 2019 – Mar 27, 2021	1.21
Mar 28, 2021 – Mar 27, 2023	1.35
Mar 28, 2023 – Mar 27, 2025	1.51
Mar 28, 2025 – Mar 27, 2027	1.69

Renewal of lease	The Lessee has an option to extend to another 5 years which should be by written notice at least 12 month before expiration of the lease term.
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.

9. Lease of Warehouse Agreement (Phase 2)

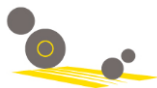
Lease parties	Lessee: PTDSGT Lessor: PT WHA International Indonesia.
Objective	Lease of warehouse in Pancatama Industrial Complex Kav. 18 Leuwi Limus Village Cikande District, Serang Regency, Banten Province, Indonesia for use as warehouse of finished goods.
Period of lease	11 years with effect from 28 March 2016 to 27 March 2027.
Rental rate	The Lessee shall pay for the rent to the Lessor on monthly basis in advance at the following rate per quarter.

Lease Term	Fee per Monthly (Million Baht)
	Rental fee
Mar 28, 2016 – Mar 27, 2019	1.22
Mar 28, 2019 – Mar 27, 2021	1.37
Mar 28, 2021 – Mar 27, 2023	1.53
Mar 28, 2023 – Mar 27, 2025	1.72
Mar 28, 2025 – Mar 27, 2027	1.92

Renewal of lease	The Lessee has an option to extend to another 5 years which should be by written notice at least 12 month before expiration of the lease term.
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 investment promotion certificate No. 1718(2)/2551 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 253.40 million) for the period of 7 years from the date income is first derived from the promoted businesses (on March 25, 2009). Subsequently on April 7, 2015, the Company received an approval



to revise investment promotion certificate for additional investment which increase corporate income tax exemption on profit derived from the promotional business to Baht 287.47 million..

On December 22, 2010, the Company received another investment promotion certificate No. 2411(2)/2553 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 211.40 million) for the period of 7 years from the date income is first derived from the promoted businesses (on October 21, 2010).

On August 8, 2011, the Company received another investment promotion certificate No. 1942(2)/2554 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 392.85 million) for the period of 7 years from the date income is first derived from the promoted businesses (on May 30, 2011). Subsequently on April 8, 2016, the Company received an approval to revise investment promotion certificate which decrease corporate income tax exemption on profit derived from the promotional business to Baht 246.08 million.

On April 20, 2012, the Company received another investment promotion certificate No. 1497(2)/2555 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 249.10 million) for the period of 7 years from the date income is first derived from the promoted businesses (on April 26, 2012).

On November 30, 2012, the Company received another investment promotion certificate No. 2767(2)/2555 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 481.66 million) for the period of 7 years from the date income is first derived from the promoted businesses (November 7, 2012).

On September 3, 2013, the Company received another investment promotion certificate No. 2223(2)/2556 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 137.51 million) for the period of 7 years from the date income is first derived from the promoted businesses (March 7, 2014).

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).

On April 24, 2015, the Company received another investment promotion certificate No. 1501(2)/2558 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 234.92 million) for the period of 7 years from the date income is first derived from the promoted businesses.

On April 24, 2015, the Company received another investment promotion certificate No. 1502(2)/2558 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 365.42 million) for the period of 7 years from the date income is first derived from the promoted businesses.

On April 24, 2015, the Company received another investment promotion certificate No. 1503(2)/2558 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 336.22 million) for the period of 7 years from the date income is first derived from the promoted businesses.

On April 24, 2015, the Company received another investment promotion certificate No. 1504(2)/2558 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 197.32 million) for the period of 7 years from the date income is first derived from the promoted businesses.

Shareholders of the Company will be exempted from personal income tax on dividends derived from the promoted activities during the period in which the Company is granted exemption from corporate income tax.

The Company thus has to comply with certain conditions contained in the promotion certificates.

4.2 Policy of investment in subsidiary

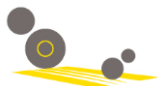
Currently the Company has invested capital in the subsidiaries in foreign countries as follows:

Unit: Million Baht

Company	Country	Paid-up Capital	Percentage of Investment	Value by Cost method	
				31 Dec 2015 (Audited)	31 Dec 2016 (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)	(148.01)
Total				102.81	102.81

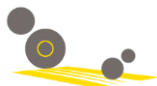
The Company has the policy to invest in subsidiaries that operate in the related business to the business of the Company in order to support and promote the Company's business and consolidate the group of companies.

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.



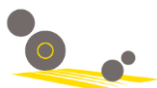
As at December 31, 2014, in consistent with Thai Accounting Standard No. 36 (Revised 2012) “Impairment of Assets”, the Company has made an assessment of impairment loss to investment in PT DSG Surya Mas Indonesia, and recorded impairment loss of investment in a subsidiary amounting to Baht 148 million 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 12.3 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 2016 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
Nature of business	: Manufacturing and distributing of disposable baby and adult diapers
Address of the principal office	: 11 th Floor, Regent House Building, 183 Rajdamri Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
Company's registration number	: 0107547001067
Website	: www.dsgap.com
Telephone	: +66 2 651 8061
Facsimile	: +66 2 651 8068
Location of the Factory	: 39 Moo 1, Hemaraj Saraburi Industrial Zone, Tambon Bualoy, Amphur Nongkhao, 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

Company Contact

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

Company Registrar

Thailand Securities Depository Co., Ltd.
93 The Stock Exchange of Thailand Building,
Ratchadaphisek Road, Dindaeng,
Dindaeng 10400, Thailand
Tel: +66 2 009 9000
Fax: +66 2 009 9991

Auditor

Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
23rd-27th Floor, AIA Sathorn Tower,
11/1 South Sathorn Road, Yannawa,
Sathorn, Bangkok 10120, Thailand
Tel: +66 2 034 0000
Fax: +66 2 034 0100

Legal Advisor

Vickery & Worachai Ltd.
16th 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:

11th 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 150167
Tel: +65 6274 6292