

PART 3

FINANCIAL STATUS AND OPERATING RESULT

13. Key Financial Information

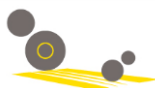
13.1 Financial Statements

13.1.1 Summary of audit report

The auditor of the Financial Statements for the year ended 31 December 2014 to 31 December 2015 was Mr. Choopong Surachutikarn, Registration No. 4325 and the auditor of the Financial Statements for the year ended 31 December 2016 is Dr. Kiatniyom Kuntisook, Registration No. 4800. Both are Certified Public Accountants from Deloitte Touche Tomatsu Jaiyos Audit Co., Ltd.

The summaries of the audits opinions are as follows:

The consolidated and separate financial statements present fairly, in all material respects, the financial positions of DSG International (Thailand) Public Company Limited and its subsidiaries and of DSG International (Thailand) Public Company Limited as at December 2014, 2015 and 2016 and financial performance and cash flows for the each year then ended in accordance with Thai Financial Reporting Standards.



13.1.2 Table showing the summary of financial statements

DSG International (Thailand) Public Company Limited Consolidated Statements of Financial Position

	31 Dec 2014 Audited		31 Dec 2015 Audited		31 Dec 2016 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
<u>Asset</u>						
Current Asset						
Cash and cash equivalents	193.66	2.63	176.85	2.57	243.32	3.60
Trade and Other receivables						
Trade receivables	1,714.12	23.30	1,668.64	24.21	1,667.86	24.68
Other receivables	47.40	0.64	97.82	1.42	55.08	0.81
Inventories	1,185.83	16.12	959.81	13.92	860.83	12.74
Tax refundable	23.16	0.31	30.05	0.44	31.31	0.47
Other current assets	61.13	0.83	72.95	1.06	92.89	1.37
Total Current Assets	3,225.30	43.85	3,006.12	43.61	2,951.29	43.67
Non-Current Assets						
Leasehold Right – net	203.22	2.76	184.71	2.68	174.46	2.58
Advance Payments for purchases of fixed assets	13.42	0.18	31.83	0.46	0.54	0.01
Property, plant and equipment	3,711.91	50.46	3,493.28	50.68	3,457.70	51.16
Intangible assets	30.82	0.42	19.69	0.29	9.94	0.15
Deferred tax assets	79.95	1.09	66.44	0.96	60.90	0.90
Other non-current assets	90.86	1.24	90.67	1.32	103.62	1.53
Total Non-current Assets	4,130.18	56.15	3,886.62	56.39	3,807.16	56.33
Total Assets	7,355.48	100.00	6,892.74	100.00	6,758.45	100.00



DSG International (Thailand) Public Company Limited
Consolidated Statements of Financial Position (continued)

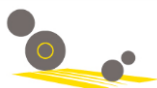
	31 Dec 2014 Audited		31 Dec 2015 Audited		31 Dec 2016 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
Liabilities and Shareholders' Equity						
Current Liabilities						
Bank overdraft and short-term loans from financial institutions	1,287.43	17.50	974.88	14.14	1,236.09	18.29
Trade and other payables	1,620.59	22.03	1,522.91	22.11	1,584.25	23.45
Current portion of obligation under finance lease agreements	-	-	-	-	-	-
Current portion of long-term loan	370.50	5.04	465.59	6.75	467.92	6.92
Current portion of other long-term liabilities	-	-	-	-	-	-
Income tax payable	5.54	0.08	14.11	0.20	11.01	0.16
Other current liabilities	21.23	0.29	25.79	0.37	35.03	0.52
Total Current Liabilities	3,305.29	44.94	3,003.28	43.57	3,334.30	49.34
Non-Current Liabilities						
Obligation under finance lease agreements	-	-	-	-	-	-
Long-term loans	1,388.80	18.88	1,506.79	21.86	1,011.15	14.96
Employee Benefit Obligations	30.49	0.41	34.19	0.50	48.31	0.71
Deferred tax liabilities	-	-	-	-	-	-
Other long-term liabilities	120.12	1.63	6.29	0.09	12.53	0.19
Total Non-current Liabilities	1,539.41	20.92	1,547.27	22.45	1,071.99	15.86
Total Liabilities	4,844.70	65.87	4,550.55	66.02	4,406.29	65.20



DSG International (Thailand) Public Company Limited

Consolidated Statements of Financial Position (continued))

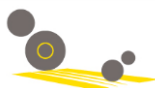
	31 Dec 2014 Audited		31 Dec 2015 Audited		31 Dec 2016 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
Shareholders' Equity						
Share Capital						
Authorized share capital						
1,259,999,988 ordinary shares of Baht 1 each	1,259.99		1,259.99		1,259.99	
900,000,000 ordinary shares of Baht 1 each						
Issued and paid-up share capital						
1,259,999,795 ordinary shares of Baht 1 each	1,259.99	17.13	1,259.99	18.28	1,259.99	18.64
899,999,991 ordinary shares of Baht 1 each						
Premium on Ordinary Shares	173.97	2.37	173.97	2.52	173.97	2.57
Premium on Treasury Shares	71.59	0.97	71.59	1.04	71.59	1.06
Retained Earnings						
Appropriated						
Statutory reserve	126.00	1.71	126.00	1.83	126.00	1.86
Unappropriated	960.20	13.05	850.11	12.33	898.24	13.29
Other Component of Shareholders' Equity						
Exchange differences on translation of the financial statements of foreign subsidiaries	(24.00)	(0.33)	(82.50)	(1.20)	(120.66)	(1.78)
Difference Between carrying amounts of investments and costs of acquisition	(56.97)	(0.77)	(56.97)	(0.83)	(56.97)	(0.84)
Equity attributable to shareholders of Parent	2,510.78	34.13	2,342.19	33.98	2,352.16	34.80
Non-controlling Interests	-	-	-	-	-	-
Total Shareholders' Equity of the Company	2,510.78	34.13	2,342.19	33.98	2,352.16	34.80
Total Liabilities and Shareholders' Equity	7,355.48	100.00	6,892.74	100.00	6,758.45	100.00



DSG International (Thailand) Public Company Limited

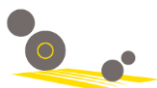
Consolidated Statement of Comprehensive Income

	31 Dec 2014 Audited		31 Dec 2015 Audited		31 Dec 2016 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
Revenues						
Revenue from sales	8,265.34	100.00	7,514.95	100.00	7,304.93	100.00
Gain on exchange rate	-	-	-	-	-	-
Gain on sales and leaseback	-	-	-	-	130.78	1.79
Other income	38.45	0.47	41.90	0.56	25.40	0.35
Total Revenue	8,303.79	100.47	7,556.85	100.56	7,461.11	102.14
Expenses						
Cost of sales	5,381.48	65.11	4,966.24	66.08	4,819.69	65.98
Selling and administrative expenses	2,383.21	28.83	2,319.03	30.86	2,429.99	33.27
Loss on impairment of machines	-	-	3.50	0.05	(3.50)	(0.05)
Loss on exchange rate	23.63	0.29	114.43	1.48	2.58	0.04
Total Expenses	7,788.32	94.23	7,400.20	98.47	7,248.76	99.24
Profit Before Interest Expense and Income Tax	515.47	6.24	156.65	2.08	212.35	2.92
Interest Expense	(110.41)	(1.34)	(125.61)	(1.67)	(120.31)	(1.65)
Income Tax	32.04	0.39	(30.97)	(0.41)	(23.27)	(0.32)
Net Profit for the year	437.10	5.29	0.07	0.00	68.77	0.95
Other Comprehensive Income						
Actuarial loss for employee benefit obligation – net of tax	3.26	0.04	3.24	0.04	(1.74)	(0.02)
Exchange differences on translation of financial statements of foreign subsidiaries	(24.39)	(0.30)	(58.53)	(0.78)	(38.16)	(0.52)
Total Comprehensive Income for the year	415.97	5.03	(55.22)	(0.74)	28.87	0.41
Profit attributable to:						
Owners of the parent	437.10	5.29	0.07	0.00	68.77	0.95
Non-controlling interests	-	-	-	-	-	-
	437.10	5.89	0.07	0.00	68.77	0.95
Total Comprehensive Income attributable to:						
Owners of the parent	415.97	5.03	(55.22)	(0.74)	28.87	0.41
Non-controlling interests	-	-	-	-	-	-
	415.97	5.03	(55.22)	(0.74)	28.87	0.41



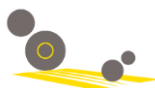
DSG International (Thailand) Public Company Limited Consolidated Statement of Changes in Shareholders' Equity

	31 Dec 2014 Audited		31 Dec 2015 Audited		31 Dec 2016 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
Beginning balance	2,318.03	31.51	2,510.80	36.43	2,342.19	34.66
Effect of change in accounting policy						
Employee Benefits	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-
Increase share capital during the period	360.00	4.89	-	-	-	-
Sales of Treasury shares	-	-	-	-	-	-
Dividend paid	(223.20)	(3.03)	(113.40)	(1.65)	(18.90)	(0.28)
Ordinary share dividend	(360.00)	(4.89)	-	-	-	-
Net profit	440.36	5.99	3.32	0.05	67.03	0.99
Exchange differences on translation of the financial statements of foreign subsidiaries	(24.39)	(0.33)	(58.53)	(0.85)	(38.16)	(0.56)
Non-controlling Interests	-	-	-	-	-	-
Ending balance	2,510.80	34.14	2,342.19	33.98	2,352.16	34.80



DSG International (Thailand) Public Co., Ltd. Consolidated Statement of Cash Flows

	31 Dec 2014	31 Dec 2015	31 Dec 2016
	Audited	Audited	Audited
	Million (Baht)	Million (Baht)	Million (Baht)
Cash flows from operating activities			
Profit before tax	405.06	31.04	92.04
Items to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	234.03	274.50	276.15
(Gain) loss on sales of fixed assets	(1.13)	(0.35)	(128.15)
Allowance for doubtful debts (reversal)	(0.11)	(4.33)	(0.99)
Employment benefits obligation expense	10.82	9.04	13.76
Loss on decline in value of inventories (reversal)	(8.14)	5.02	(2.47)
Loss from impairment of machine	-	3.50	(3.50)
Unrealized (gain) loss on exchange rate	19.46	33.01	(1.13)
Interest expenses	110.41	125.61	120.31
	770.40	477.04	366.02
(Increase) decrease in trade accounts receivables	(64.74)	48.78	2.80
(Increase) decrease in other receivables	27.88	(50.42)	42.76
(Increase) decrease in inventories	(163.93)	220.99	101.45
(Increase) decrease in tax refundable	7.67	(6.89)	(1.25)
(Increase) decrease in other current assets	8.62	(11.81)	(19.97)
(Increase) decrease in deposit for lease of warehouse	0.00	0.00	(12.94)
(Increase) decrease in other non-current assets	2.45	0.15	-
Increase (decrease) in trade and other payables	16.01	24.25	96.07
Increase (decrease) in other current liabilities	0.12	8.01	11.88
Cash paid for employee benefits	(3.58)	(1.93)	(2.65)
Cash paid for interest	(113.90)	(126.02)	(120.31)
Cash paid for income tax	(19.79)	(16.99)	(22.00)
Net cash provided by (used in) operating activities	467.21	565.16	441.86



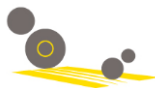
DSG International (Thailand) Public Company Limited Consolidated Statement of Cash Flows (continued)

	31 Dec 2014	31 Dec 2015	31 Dec 2016
	Audited	Audited	Audited
	Million (Baht)	Million (Baht)	Million (Baht)
Cash flows from investing activities			
Cash payments for purchases of fixed assets and intangible assets	(745.07)	(439.61)	(279.89)
Proceeds from sales of fixed assets	1.43	0.52	142.81
Cash payment for leasehold right	-	-	-
Cash payments in advance for purchases of fixed assets	-	-	(0.54)
Net cash used in investing activities	(743.64)	(439.09)	(137.62)
Cash flows from financing activities			
Cash received from bank overdraft and short-term loan from financial institutions	(185.88)	(312.22)	265.66
Cash received from long term loan from financial institution	796.44	685.54	45.07
Repayments of finance lease obligation	-	-	-
Repayments of other long-term loans	(240.11)	(389.94)	(507.50)
Cash received from sales of treasury shares	-	-	-
Dividend paid	(223.20)	(113.40)	(18.90)
Net cash used in financing activities	147.25	(130.02)	(215.67)
Exchange rates difference on translation of cash of foreign subsidiaries	5.65	(12.86)	(22.10)
Net increase (decrease) in cash and cash equivalents	(123.53)	(16.81)	66.47
Cash and cash equivalents as at January 1	317.19	193.66	176.85
Cash and cash equivalents as at December 31	193.66	176.85	243.32

13.2 Auditor's remuneration

The audit fee for the Company was Baht 3.04 million. There was no other non-audit fee paid to Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

The Company and its subsidiary paid a total audit fee of Baht 4.84 million.



14. Management Discussion and Analysis

The Management believes in doing what is right; as pertaining to our financial reporting, this means high-quality financial reporting with accuracy and transparency. The Management is responsible for maintaining an effective system of internal controls and excellent operations. The Board of Directors through its Audit Committee provides oversight and has also engaged Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., to audit our financial statements, on which they have issued unqualified opinion.

The Management's discussion and analysis was to provide more insight and understanding of the financial results of DSG Group.

Overview

2016 remained a challenging year with deflated purchasing power from the sluggish economic condition, especially during a mourning period after Thailand's beloved king has passed away and severe price competition has still affected group sales revenue and profitability growth.

In addition to deliver "value for money" products, DSGT relentlessly strived to improve the quality and productivity for every section to proactively manage the cost efficiency and fast response to the dynamics of each market. As a result, we re-launched new and improved BabyLove PlayPants NanoPowerPlus with integrated marketing support. Our DayPants for baby and adult diapers were re-launched with improved performance and functions, which were well positioned to the changing consumer trend during economic recession. All DayPants products have been registered positive volume and market share growth in most markets.

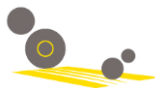
Certainty has performed well from the increasing aging population due to higher life expectancy and improved healthcare systems in most SEA region. Certainty portfolio in most markets registered high growth in both the tape and pant segments. DSGT continued to sustain the category leadership position in Thailand.

We believe that our efforts in cost-efficiency, new products and innovations, focus on market dynamics, customer satisfaction and revenue optimization will continue to drive the Group to sustain its revenue growth and profitability in the future.

Financial Performance Highlights

The consolidated Sales Revenue of the Group was Baht 7,304.93 million, representing a decrease of 2.8% compared to 2015. Despite the diminished purchasing power, the Group recorded growth of baby and adult market share particularly in mid-priced segments.

The consolidated Net Profit was Baht 68.77 million, increased from 2015 at Baht 0.07 million. Excluding the gain of Baht 130.78 million from selling asset at Indonesia, the Group had a loss from the operation in 2016, resulting from aggressive commercial investment to support sales and distribution channel activities.



Key Market Highlights

Thailand: In Q1 2016, BabyLove PlayPants NanoPower**Plus** was launched to reinforce the innovative franchise of the brand from improved performance. Our DayPants for baby and adult diapers were re-launched with improved performance and functions, which were well positioned to the changing consumer trend during economic recession. Certainty has performed well from the increasing aging population due to higher life expectancy and improved healthcare systems in most SEA region. DSGT continued to sustain the category leadership position in Thailand.

Malaysia: The depressed economic situations has slight positive recovery but the low commodity price and oil price impact have caused the dampened the consumer purchasing power across all industries, including disposable diaper category to continue to be soft. PETPET DayPants and Fitti Tape maintained their market position despite the weak economy. Encouragingly, Certainty experienced high double digit growth in the growing adult diaper market.

Indonesia: Fitti DayPants gained sales momentum in the rapidly expanding baby pant segment

Export Markets: The export markets continued to grow. Export marketing efforts also stepped up in Cambodia, Laos and Vietnam to capitalize on the AEC initiatives.

Forward Looking

Discussion of expectations of future performance is based on financial data and our business plan at the time of the statement. Time factor, FX volatility and high level of competitive activities might result in deviations; thus investors must recognize the uncertainty of events that could impact on expectations.

Our costs are subject to fluctuations due to changes in raw material prices and exchange rates, as most of our raw materials are imported. Changes in the economic and political environment do affect consumer confidence. Thus our financial success will depend, in part, on our ability to address global, regional and local political and economic uncertainties.

Given the favorable demographic and socio-economic factors in South East Asia, DSG Group is committed to strive for sustainable growth through continuous investments in brand building initiatives, human resources development and supply chain efficiency. The Company is firmly believed in protecting the brand equity and market position via continuous strategic investment for product innovations and geographical expansion for the long term success of the Group.

Financial Condition

As at the end of 2016, DSGT reported Total Consolidated Assets of Baht 6,758.45 million decrease by 1.94% from Baht 6,892.74 million at end of 2015.

The Group's net increase in cash and cash equivalents was Baht 66.47 million mainly resulted from lesser cash payment in fixed asset. Net cash used in investing activities was Baht 137.61 million was mainly used to support business operation in key markets. The capital investments were partly financed by the net cash from operating activities and external borrowings.

The financial position of the Group is expected to continue with the sales growth momentum of our key brands, supported by the continuous improvement in the operation efficiency.

Income Tax

DSGT received investment promotion privilege from the Board of Investment by receiving the exemption for corporate income tax on profit derived from the promoted business which is under certain conditions contained in the promotion certificates. During the year of 2016, DSGT had the excess profit from the promotion privilege, which was subjected to corporate income tax.

However, at Group level, the financial statement reflected tax payment of its subsidiaries. DSG Malaysia has been granted the tax incentive for its investment in Malaysia under the Reinvestment Allowance tax incentive scheme.

Other Information

Our financial statement was prepared in accordance with Thai Accounting Standard (TAS), Thai Financial Reporting Standard (TFRS), Thai Accounting Standard Interpretation (TSI) and Thai Financial Reporting Interpretations (TFRI) as the basis of our accounting policies. Our Group has adopted the new and revised Thai Financial Reporting Standards issued by the Federation of Accounting Professions, which are effective for the financial statements for the accounting periods beginning on or after January 1, 2016 onwards, in the preparation and presentation of these financial statements.