

## PART 2

### MANAGEMENT STRUCTURE AND CORPORATE GOVERNANCE

#### 7. Securities and Shareholders' Information

##### 7.1 The Company's Securities

As at 31 December 2016, 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 2016, a name list of first 10 shareholders of the Company

Name of Shareholders	No. of Shares Held	Shareholding (%)
1. DSG INTERNATIONAL LIMITED	838,386,180	66.54
2. NORTH HAVEN PRIVATE EQUITY ASIA ANGEL COMPANY LIMITED	349,238,100	27.72
3. Mr. Sophon Mitpanpanich	10,990,530	0.87
4. Thai NVDR Co., Ltd.	8,729,485	0.69
5. Mr. Samak Suthi	2,900,000	0.23
6. Mr. Salai Sukphanpotharam	1,700,000	0.13
7. HSBC BANK PLC-HSBC BROKING SECURITIES (ASIA) LIMITED	1,680,000	0.13
8. Mr. Sanit Dusadeenode	1,527,520	0.12
9. Mr. Kraisri Chaiworachat	1,294,090	0.10
10. Mrs. Panitchaya Puothavornsakul	1,283,900	0.10
Other shareholders	42,269,990	3.35
<b>Total</b>	<b>1,259,999,795</b>	<b>100.00</b>

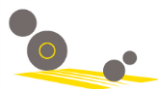
Remark: Total number of shareholders is 1,574

### ***7.3 Dividend Policy***

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. 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.

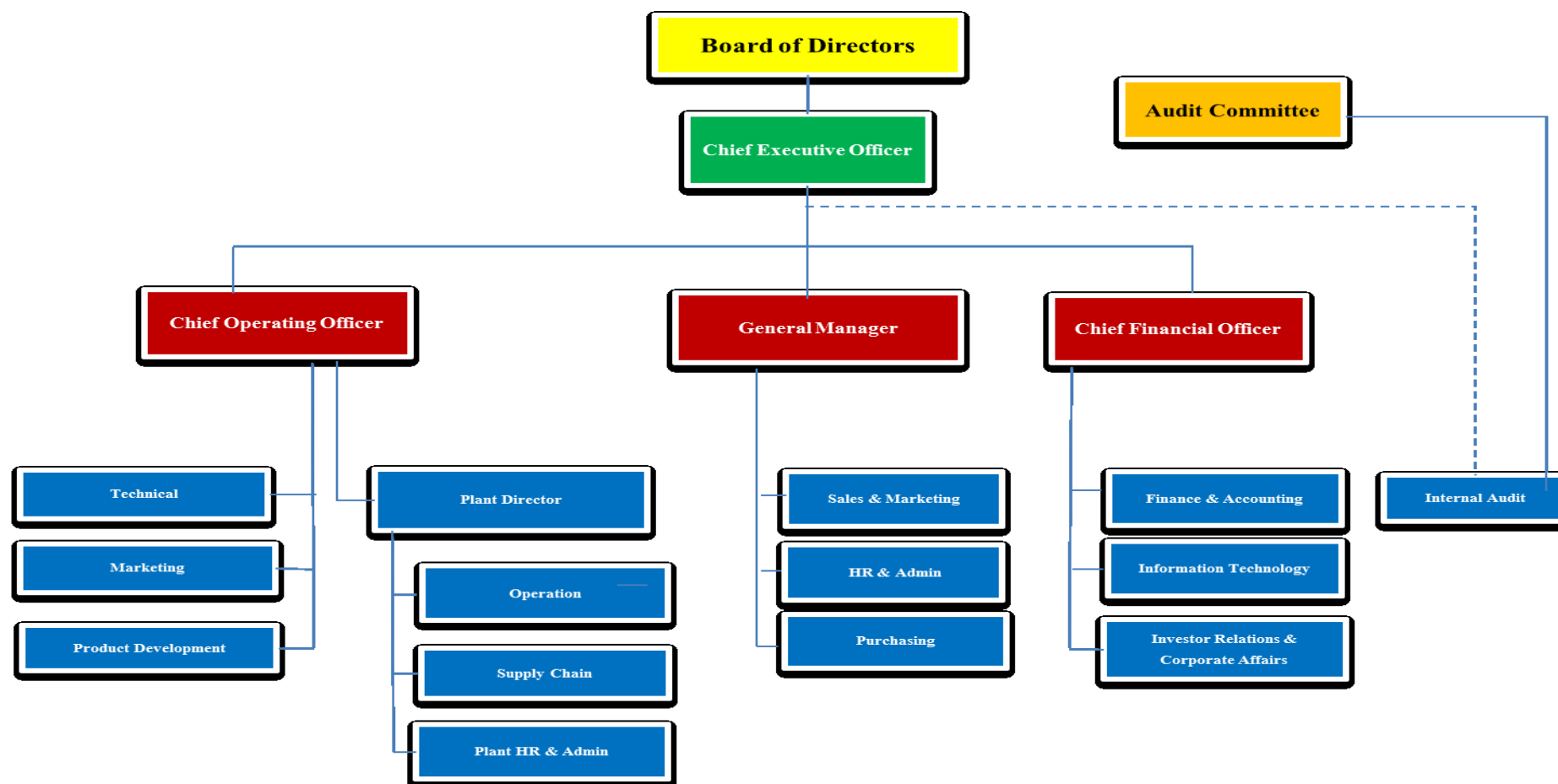
The subsidiaries have the policy to pay dividends not less than 40% of net profit after legal reserve and every category of reserves determined by the subsidiaries. However, the payment of the said dividends depends on the investment policy, the necessity and other suitability in the future.

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 of DSG International (Thailand) PLC as of 31 December 2016*



### 8.1 The Board of Directors

As of December 31, 2016, the Company's Board of Directors comprised of 8 directors as follows:

List of Name	Position
1. Mr. Wang Shui-Ling Brandon	Chairman of the Board
2. Mr. Kam Shing Ambrose Chan	Director
3. Mr. Yeoh Aik Cheong	Director
4. Ms. Chachanee Anantwatanapong	Director
5. Mr. Kwok King Kingsley Chan*	Director
6. Mr. Dicky Peter Yip	Independent Director and Chairman of the Audit Committee
7. Mr. Sukporn Chatchavalapong	Independent Director and Member of the Audit Committee
8. Mr. Chwan-Der Alex King	Independent Director and Member of the Audit Committee

\*Remarks: Mr. Kwok King Kingsley Chan was appointed as Director, replacing Ms. Justine Man San Wang, effective from October 25, 2016. The said appointment was approved in the Board of Directors' Meeting No.6/2015, held on October 25, 2016.

### 8.2 The Executives

As of December 31, 2016, there are 4 Executives of the Company as follows:

Name	Position
1. Mr. Kam Shing Ambrose 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

### 8.3 The Company Secretary

Ms. Siritorn Manopjuntaroj was appointed as Company Secretary in Board of Directors' Meeting No. 1/2016 held on 24 February 2016. The detail of her profile is in Appendix 1.

### 8.4 Remuneration for Directors and Executives

The Company has set up a 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.1/2016 held on April 27, 2016 approved the directors' remuneration for year 2016 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 2016, the Company paid remuneration to 3 directors totaling Baht 1.565 million in the form of cash remuneration for director fee as follows:

Unit: Thousand Baht

<b>Name</b>	<b>Board</b>	<b>Audit Committee</b>	<b>Total</b>
1. Mr. Wang Shui-Ling Brandon	-	-	-
2. Mr. Kam Shing Ambrose Chan	-	-	-
3. Mr. Yeoh Aik Cheong	-	-	-
4. Ms. Justine Man San Wang/ Mr. Kwok King Kingsley Chan*	-	-	-
5. Ms. Chachanee Anantwatanapong	-	-	-
6. Mr. Dicky Peter Yip	-	545	545
7. Mr. Sukporn Chatchavalapong	-	545	545
8. Mr. Chwan-Der Alex King	-	475	475

\*Remark: Mr. Kwok King Kingsley Chan was appointed as Director, replacing Ms. Justine Man San Wang, effective from October 25, 2016. The said appointment was approved in the Board of Directors' Meeting No.6/2016, held on October 25, 2016.

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

In 2016, the Company paid remuneration to 4 executives totaling Baht 37.1 million 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.

- Long-term Incentive Program (LTI)

The Company has organized LTI program to motivate the executives and employees who outstandingly contribute to the company in the long term. The program is designed to last for 3 years.

### 8.5 Personnel

As at 31 December 2016, the total number of members of the staff and employees of the Company were recorded as 348 persons as follows:

Line of Work	31 December 2016
Management	4
Operation	295
General Admin and Support Function	49
<b>Total</b>	<b>348</b>

Total employees of the subsidiaries were recorded as 475 persons as follows:

Company	31 December 2016
DMS	16
DSGML	113
DSGMSB	171
PTDSG	174
DSGS	1
<b>Total</b>	<b>475</b>

Total employees of the group were recorded as 823 persons with no significant change for the number of employees from the past few years.

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 operation.

The Company has focused on human resource development to strengthen their capability and competency to support the Company's day-to-day operation and long-term growth. The Company promotes the employees to attend the training courses relevant to each line of work. Moreover, the employees are encouraged to learn from actual performance of duty and advice from experienced personnel (on-the-job training) and seminar participation.

## 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 the agenda of directors' nomination and remuneration, and auditors' nomination and remuneration, dividend payment and key decision of business matters (if any) for shareholders' approval in the annual general meeting (AGM) on yearly basis;
- Present important information for shareholders in many communication channels, e.g., during the meeting, notification through SET system and corporate website – [www.dsgap.com](http://www.dsgap.com);
- Not to lessen the shareholders' right by not distributing significant information immediately on the meeting day, or not put additional agenda during the meeting and allow the latecomer shareholders to attend the meeting for voting to the existing agenda;
- Apply the barcode system to support registration process and counting vote which is more efficient to the shareholders in attending the meeting;
- Record the minutes of the meetings correctly for the shareholders to inspect and then publish within 14 days after AGM date via corporate website;
- Facilitate a translation in case that the shareholders' meeting is conducted in foreign language to ensure that the shareholders can completely understand the message of the meeting and can ask the questions or express the opinions;
- Provide the stamp duty to the shareholders who attend the meeting in case of proxy;
- Select the meeting venue which the shareholders can access easily by the public transportation.

#### ***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 the shareholders at least 14 days prior to the meeting date. The Company has appointed Thailand Security Depository Company Limited (TSD) as the company registrar to distribute the invitation letter and other documents to shareholders. In 2016, the Company delivered the meeting invitation letter to the shareholders on March 10, 2016 and made an announcement through the newspaper for 3 consecutive days in order to inform the shareholders in advance;
- Sent the proxy form together with the invitation letter and listed the required documents for the meeting in order to facilitate the shareholders who cannot attend AGM. Moreover, the Company has authorized Independent Director/Member of Audit Committee, Mr. Sukporn Chatchavalapong as a proxy on behalf of the shareholders in the event that the shareholders cannot attend the meeting;
- Post these AGM documents in Investor Relation section via corporate website to ensure that the shareholders have equally accessed the company's information in many channels. The Company posted the meeting invitation letter on the Company website on March 10, 2016;
- Set the venue and the appropriate time that is convenient for every shareholder to attend the meeting. In 2016, the Company held the Annual General Meeting of Shareholders No.1/2016 on April 27, 2016 at 10.00 am at Crowne Plaza Bangkok Lumpini Park Hotel. The venue was convenient for travelling by public transportation, e.g., public buses, BTS Sky Trains and MRT (Bangkok Metro);
- 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 2016, the Company informed the resolution of the meeting on April 27, 2016 via SET website and published the minutes of the meeting on the corporate website on May 11, 2016;
- Record the meeting in video format and post on the corporate website;
- Set the protection policy in order to prevent the use of internal information by directors and management for their personal use. The Company has applied the confidentiality to all directors, management and employees from not using the Company's information for the sake of their own. 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 announcement was noticed in advance via the Company's intranet, email and corporate website. 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, employees, customers, suppliers, competitors, creditors, state sectors and other related organizations. The Company complies with the relevant rules and regulations to ensure that the rights of these interested groups are properly attended to.

#### **Employees:**

The Company recognizes the employees as a key driver to its long-term sustainable growth; therefore, promotes the people development for our employees. The Company always treats the employees equally and fairly by providing suitable remuneration, proper welfares i.e. provident fund, group health insurance, safety policies, labor relation activities, and etc, according to performance evaluation, company performance and benchmarking with other same industries. In addition, the Company encourages the adequate training of employees either through public or in-house trainings to increase their skills and competencies.

#### **Customers/Consumers:**

The Company commits to deliver the best results to maximize the customers and consumers' satisfaction by providing the high quality products at the lowest possible manufactured cost to serve the customers' needs. The Company provides the understandable information on relevant aspects of products or services and offers various communication channels to the customers and consumers regarding advices. Also, the Company enforces the employees to protect the customers' confidential information for not being used for their own benefits.

#### **Competitors:**

The Company conducts its business with ethics and consistently engages with fair competition and transparency, not to seek information on competitors through improperly dishonest means.

#### **Suppliers/Contractors:**

The Company's code of conducts have defined the practices in sourcing and selection process under a framework of good competitive roles. 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 case that there is any issues causing non-compliance, the Company shall inform the trading partners to coordinately seek the best solutions.

#### **Creditors:**

The Company treats the creditors responsibly for financial obligation and guarantee condition as stipulated in the contract. The Company does not engage in dishonest practices. In case that the Company cannot fulfil one or more of its obligations, the

notification will be sent to the creditors in advance to coordinately seek the best solutions.

**State Sectors and Other Related Organizations:**

The Company applies a good corporate governance and compliance to the local law and other regulations including international standards. The Company treats the related parties fairly in consideration of community's involvement, efficient resource management and sustainability.

***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, corporate website and announcement through SET system. All disclosures of official information were written in both Thai and English. These are to ensure that all shareholders can access to the Company's information equally. The Company's practices on the 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;
- Establish 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
- Provide the shareholders and investors access to the company's information, through various channels such as annual report, corporate website, analyst meetings and roadshows. In 2016, the Company has conducted various communication through emails, phone calls, company visits, and oversea conference calls.

***Part 5: Board Responsibility***

The Company has set up the guideline for the Board of Directors' roles and responsibilities as follows:

## 5.1 Board Structure

- The Company's Board of Directors comprises of 8 members
  - 3 directors are executive directors
  - 2 directors
  - 3 directors are Independent Directors and Member of the Audit Committee
- One-third of the Company's directors are independent directors. Should that any director has 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 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 appoints 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's 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 Ms. Siritorn Manopjuntaroj 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 2016, there were totally 9 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 2016, The meeting attendance was recorded as follows:

List of Name	Position	Meeting Attendance (times/total)		
		Board of Directors	Audit Committee	AGM
1. Mr. Wang Shui-Ling Brandon	Chairman of the Board	1/9	-	0/1
2. Mr. Kam Shing Ambrose Chan	Director and Chief Executive Officer	9/9	-	1/1
3. Mr. Yeoh Aik Cheong	Director and Chief Financial Officer	9/9	-	1/1
4. Ms. Chachanee Anantwatanapong	Director and General Manager	8/9	-	1/1
5. Ms. Justine Man San Wang	Director and Chief Operating Officer	4/5	-	1/1
5. Mr. Kwok King Kingsley Chan*	Director	3/4	-	-
6. Mr. Dicky Peter Yip	Independent Director and Chairman of the Audit Committee	9/9	4/4	1/1
7. Mr. Sukporn Chatchavalapong	Independent Director and Member of the Audit Committee	9/9	4/4	1/1
8. Mr. Chwan-Der Alex King	Independent Director and Member of the Audit Committee	4/9	2/4	1/1

\*Remark: Mr. Kwok King Kingsley Chan was appointed as Director, replacing Ms. Justine Man San Wang, effective from October 25, 2016. The said appointment was approved in the Board of Directors' Meeting No.6/2016, held on October 25, 2016.

## 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.





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### 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. Corporate Social Responsibility

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.

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:



### **Economic Success**

#### *Internal perspectives:*

The Company has committed to building the strong foundations 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 operational costs in order to remain the competitive price in the market.

#### *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 economies 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.

For a sustainable future, investing in our people to ensure talent line up and business continuity is an integral part of our company strategy. We believe in facilitating our people of all levels to gain higher skills for the betterment of themselves and the Company.

In 2016, we have continued to focus our efforts in human resources development training, including our Operator Development Program, Management Trainee Program, Employee Kaizen and Cost Saving initiatives, and Succession Planning to build the future pipeline for key positions in the Company.

### *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.

Throughout the years, DSG has succeeded via implementing key innovation strategies in a localized manner. In each market, our commercial and R&D team have conducted many detailed researches via home use trials, end user group discussions and shopper behavior studies to understand the local lifestyles and preferences of each market, helping us to truly understand what is needed from our products.

Combined with our operational strengths, supplier partnership and R&D patented technologies, we aspire to continuously develop a pipeline of innovative new products that puts us a step ahead of the market. In doing so, delivering quality at a reasonable price remains as our top priority in creating value for our consumers.

For example,

2009 - launch of BabyLove PlayPants, being the first pants product to bring quality at a competitive price to the mass population, thus expanding the pants market at a rapid pace. Prior to the introduction of BabyLove PlayPants, all pants products were priced for selected premium consumers.

2010 - launch of Certainty Active, being introduced for those incontinence.

2011 - launch of BabyLove and PetPet Night product range to meet the needs for a product with superior absorbency to last through the night.

2013 - launch of BabyLove, PetPet and Fitti DayPants to cater for the rising penetration of baby diapers into the economic segment.

2014 - launch of Certainty SuperPants, replacing Certainty Active for those incontinence but mobile users who are seeking for assurance of performance while still retaining a decent quality of life.

2014 - launch of Certainty DayPants for those with light incontinence but wish to carry on with their lives as they have always lived and known.

2015- relaunch of product innovation “BabyLove PlayPants” with patent technology of NanoPower

2016- relaunch of BabyLove PlayPants NanoPowerPlus with its latest innovation ‘plus’ faster drying, is improved with double absorbent layers that provides quick absorbency and faster drying.

For all of the above, the product formulation, design, packaging and execution have been catered to local lifestyle and tastes of each culture.



The Company has a policy for manufacturing products with high quality. The entire quality management system has been well implemented in our overall plant operation. Also, we have been focusing on our continuous quality improvement by lean manufacturing concept and other excellent processes. Those contribute in product quality improvement and cost saving as well. We strictly controlled all activities according to ISO 9001 standard and built up good safety practices. The ISO: 9001:2008 Surveillance audit has been done very successfully in 2015.

## 2. Community Involvement and Development

The Company contributes to increase 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.

On April, 2016, Certainty joined the caravan troop to educate and generate trail among target users with samplings. The activity was conducted in senior communities during Thai New Year (SongKran) as it was a holiday for family gatherings.



On June 2016: BabyLove conducted 'BabyLove Crawling Contest 2016' that took place in the Thailand Baby & Kids Best Buy event on 4th Jun 2016. BabyLove used this event to feature its extra benefit 'SOFTER with Bubble Soft Sheet' that provides a gentle touch at the premium quality for baby's delicate skin. In the event, moms are enable to try the new product 'BabyLove PlayPants NanoPower Plus' and prove its performance by participating on the BabyLove Crawling Contest. The fastest-crawling baby gets Baht 40,000 and free diaper for a year!



### **Environmental Responsibility**

The Company has established the guideline in managing environmental issues in the short-term and improving environmental concern continuously for sustainable development. With the implementation of waste management 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.

In 2016, the Company has continuously conducted many improvement projects for energy saving. In Thailand, the reduction of power consumption was implemented by advanced technology lighting system. In addition, the optimizing & managing program for machine production with power consumption reduction was established in compliance with lower carbon footprint.

With high responsibility to the environment, the Company continuously explores the matured technologies in the direction of energy conservation. In addition, the energy awareness driven by the employees results in energy reduction in our manufacturing facilities.

Besides managing sustainability in our operation, we have expanded environmentally friendly mindset to our procurement process throughout supply chain. As for raw materials, we have applied our screening criteria to select the sellers or companies who manage their products with certification and comply with the standard with respect of environment protection and energy consumption reduction. For instance, we sourced the pulp from certified timberland with Forest Stewardship Council (FSC) standard, nonwoven sheets on recycled raw material program. For petroleum –linked raw materials such as Super Absorbent Polymer (SAP), Polyethylene film, Hotmelt and etc., we have considered for performance improvement to reduce energy consumption, carbon footprint, greenhouse gas emission and waste release to the environment.

## **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 No. 1/2017 on February 24, 2017.

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 meetings for the year 2016 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:

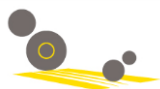
1. Reviewed the financial statements of the company and its subsidiaries on both quarterly and yearly basis for the year 2016, to ensure their compliance with the accounting standards requirements, and the disclosure of the notes to the financial statements in accordance with the financial reporting 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 2016. 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 2016 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 2016 regulations which related to the business.

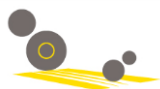
**Mr. Dicky Peter Yip**  
**Chairman of the Audit Committee**



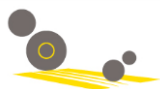
## 12. Related Transactions

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

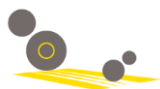
1.1 Details of related transactions of the Company and its subsidiaries with persons who may have conflict of interest						
Company / Nature of Business / Relationship		Characteristics of transactions		Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
				From Consolidated Financial Statement		
				Audited 31 December 2015	Audited 31 December 2016	
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.   			



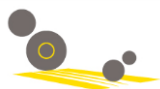
Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2015	Audited 31 December 2016	
				<p>Rate of management fees 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.</p> <p>On September 30, 2015 the Company and its subsidiary received the exemption for accrued management fee and royalty fee as at September 30, 2015 from DSGIL.</p>
	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.	34.281  <u>Aging</u> Current: 34.304 ≤ 3 mos: -0.131 6-12 mos: 0.066 >12 mos: 0.042	33.326  <u>Aging</u> Current: 15.057 ≤ 3 mos: 15.566 3-6 mos: 1.125 6-12 mos: 1.578	<p>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.</p> <p>On September 30, 2015 the Company and its subsidiary received the exemption for accrued management fee and royalty fee as at September 30, 2015 from DSGIL.</p>



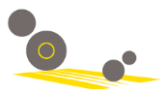
Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2015	Audited 31 December 2016	
	1.3 DSGIL is other debtor of PTDSG, arose from advertising expenses to promote brand building.	58.008 <u>Aging</u> ≤ 3 mos: 58.008	0.070 <u>Aging</u> Current : 0.070	The said transaction was reasonable and considered as a normal transaction.
	1.4 DSGIL is other debtor of the Company, arose from expenses reimbursement.	0.040 <u>Aging</u> Current : 0.040	0.274 <u>Aging</u> Current : 0.090 ≤ 3 mos: 0.184	The said transaction was reasonable and considered as a normal transaction.
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	2.1 The Company sold baby and adult diapers to DSGL.	9.845	3.178	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.	3.157 <u>Aging</u> Current: 3.157	1.350 <u>Aging</u> Current: 1.350	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 2015	Audited 31 December 2016	
holds 100 percent of shares in DSGL	2.3 DSGL is other creditor of the DSGMSB, arose from other expenses charge back from DSGL.	0.110  <u>Aging</u> Current: 0.035 3-6 mos: 0.049 6-12 mos 0.026	0.016  <u>Aging</u> Current: 0.016	The said transaction was considered as a normal transaction.
3. Disposable 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	-0.848	8.167	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.  On September 30, 2015 the Company and its subsidiary received the exemption for accrued management fee and royalty fee as at September 30, 2015 from DSGUK.



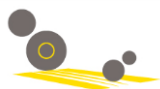
Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2015	Audited 31 December 2016	
	3.2 DSGUK is the creditor of PTDSG from the unpaid royalty fees mentioned above.  (The said fees were paid quarterly with 20 days credit term)	1.401  <u>Aging</u> Current: 1.401	7.621  <u>Aging</u> Current: 2.565 ≤ 3 mos: 1.648 3-6 mos: 1.403 6-12 mos: 2.005	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.  On September 30, 2015 the Company and its subsidiary received the exemption for accrued management fee and royalty fee as at September 30, 2015 from DSGUK.



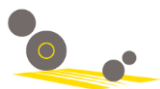
DSG INTERNATIONAL (THAILAND) PLC

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 2015	Audited 31 December 2016	
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.	7.709	-	This transaction is a normal trade transaction. The raw material is a proprietary product of DSG.

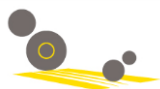




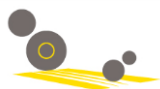
Company / Nature of Business / Relationship	Characteristics of transactions	Value of transactions (Million Baht)		Opinion of the Audit Committee/ Necessity and reasonableness
		From Consolidated Financial Statement		
		Audited 31 December 2015	Audited 31 December 2016	
5. Disposable Soft Goods (Zhongshan) 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 and raw material to DSGZ.	45.932	167.783	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 and raw material to DSGZ.	1.047  <u>Aging</u> Current: 1.047	41.737  <u>Aging</u> Current: 41.737	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.	0.039  <u>Aging</u> ≤ 3 mos: 0.023 3-6 mos: 0.016	0.084  <u>Aging</u> Current: 0.045 > 12 mos: 0.039	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 2015	Audited 31 December 2016	
	5.4 DSGML purchase finish goods.	-	0.829	This transaction is a normal trade transaction.
	5.5 DSGZ is the trade creditor of DSGML arose from the purchase of finish goods.	-	0.820  <u>Aging</u> Current: 0.820	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.	-	0.093  <u>Aging</u> Current: 0.093	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 2015	Audited 31 December 2016	
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  17.635  Trademark License Fee 65.835	Technology Transfer and License Fee 21.374  Trademark License Fee 64.857	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  On September 30, 2015 the Company and its subsidiary received the exemption for accrued management fee and royalty fee as at September 30, 2015 from DSG TEC.
	6.2 DSG TEC is the creditor of the company, DSGMSB and DSGMAL from the unpaid royalty fees mentioned above.	23.472  <u>Aging</u> Current: 23.472	15.219  <u>Aging</u> Current: 7.820 ≤ 3 mos: 7.399	The said transaction was reasonable and considered as a normal transaction.  On September 30, 2015 the Company and its subsidiary received the exemption for accrued management fee and royalty fee as at September 30, 2015 from DSG TEC.



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 2015	Audited 31 December 2016	
	6.3 DSG TEC is the trade debtor of the company, arose from expenses reimbursement.	-	5.413  <u>Aging</u> 6-12 mos: 5.413	The said transaction was reasonable and considered as a normal transaction.
7. DSG Trading Co. Ltd. (“DSGTL”). - Trading and distributing diaper products in China - Registered in KH - Head Office in HK	7.1 The Company sold Diapers to DSGTL	-	0.464	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.
	7.2 DSGTL is the trade debtor of the Company, arose from the sale of finished goods to DSGTL.	-	0.464  <u>Aging</u> Current: 0.464	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.